NAVY MEDICINE
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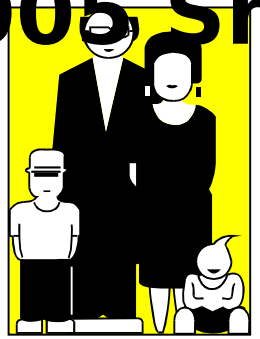
The Business of Navy Medicine and the MHS: It's a Reality

RDML Burkhard, MC, USN

September 2005

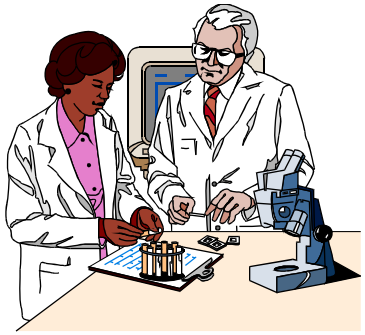
Military Health System FY 2005 Snapshot

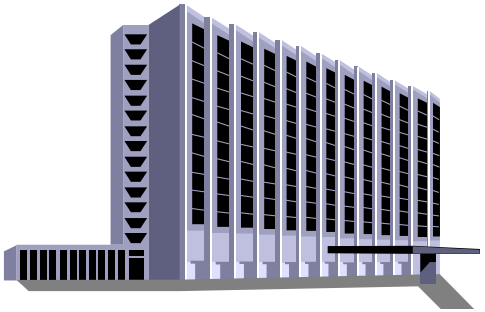
$36 billion
Unified DoD Medical Budget



9.1 million
Beneficiaries

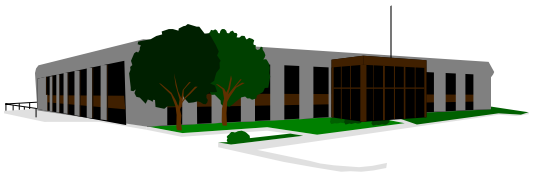
Over 131 thousand military and civilian medical personnel





70 Inpatient Facilities

3 Regional Managed Care Contracts



826 Medical & Dental Clinics

TRICARE Compared to Other Health Plans

NAVY MEDICINE
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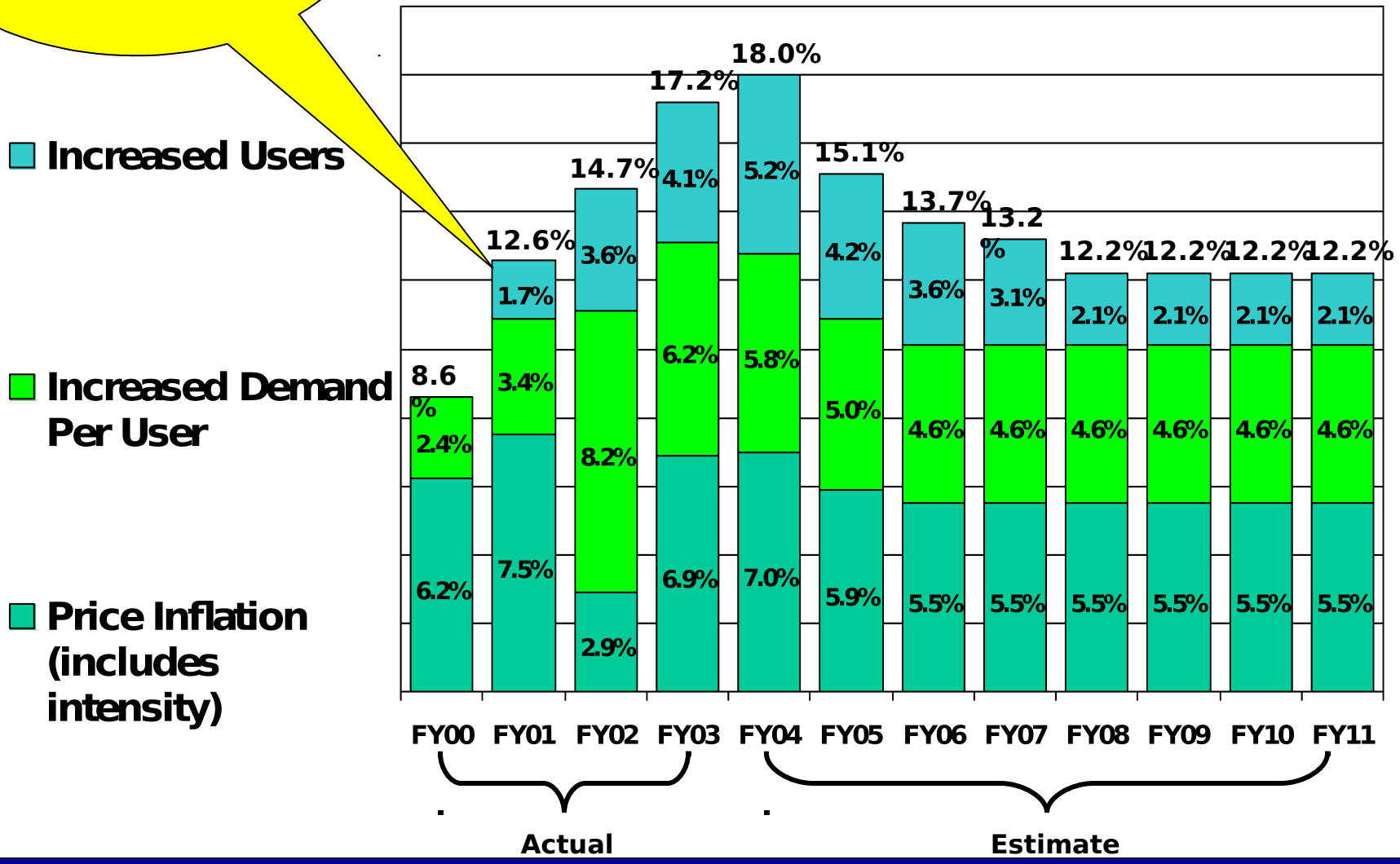
	TRICARE Prime NADD < 65			FEHBP Kaiser Mid-Atlantic*			TRICARE Standard/ Extra NADD < 65			FEHBP Blue Cross Standard*		
Cost for a Family of 3	1999	2003	% Chg	1999	2003	% Chg	1999	2003	% Chg	1999	2003	% Chg
Enrollee Premium	$460	$460	0%	$1,440	$1,910	33%	$0	$0	0%	$1,620	$2,740	69%
Other Out-of-Pocket	$211	$249	18%	$360	$850	136%	$1,139	$1,304	14%	$1,410	$1,490	6%
Total Out-of-Pocket	$671	$709	6%	$1,800	$2,760	53%	$1,139	$1,304	14%	$3,030	$4,230	40%
Government Cost	$5,232	$7,496	43%	$4,170	$5,720	37%	$5,232	$7,496	43%	$4,170	$6,490	56%
Total Cost	$5,903	$8,205	39%	$5,970	$8,480	42%	$6,371	$8,799	38%	$7,200	$10,720	49%
Enrollee Share of Total	11%	9%		30%	33%		18%	15%		42%	39%	
Govt Share of Total	89%	91%		70%	67%		82%	85%		58%	61%	

* *Per Checkbook Magazine*

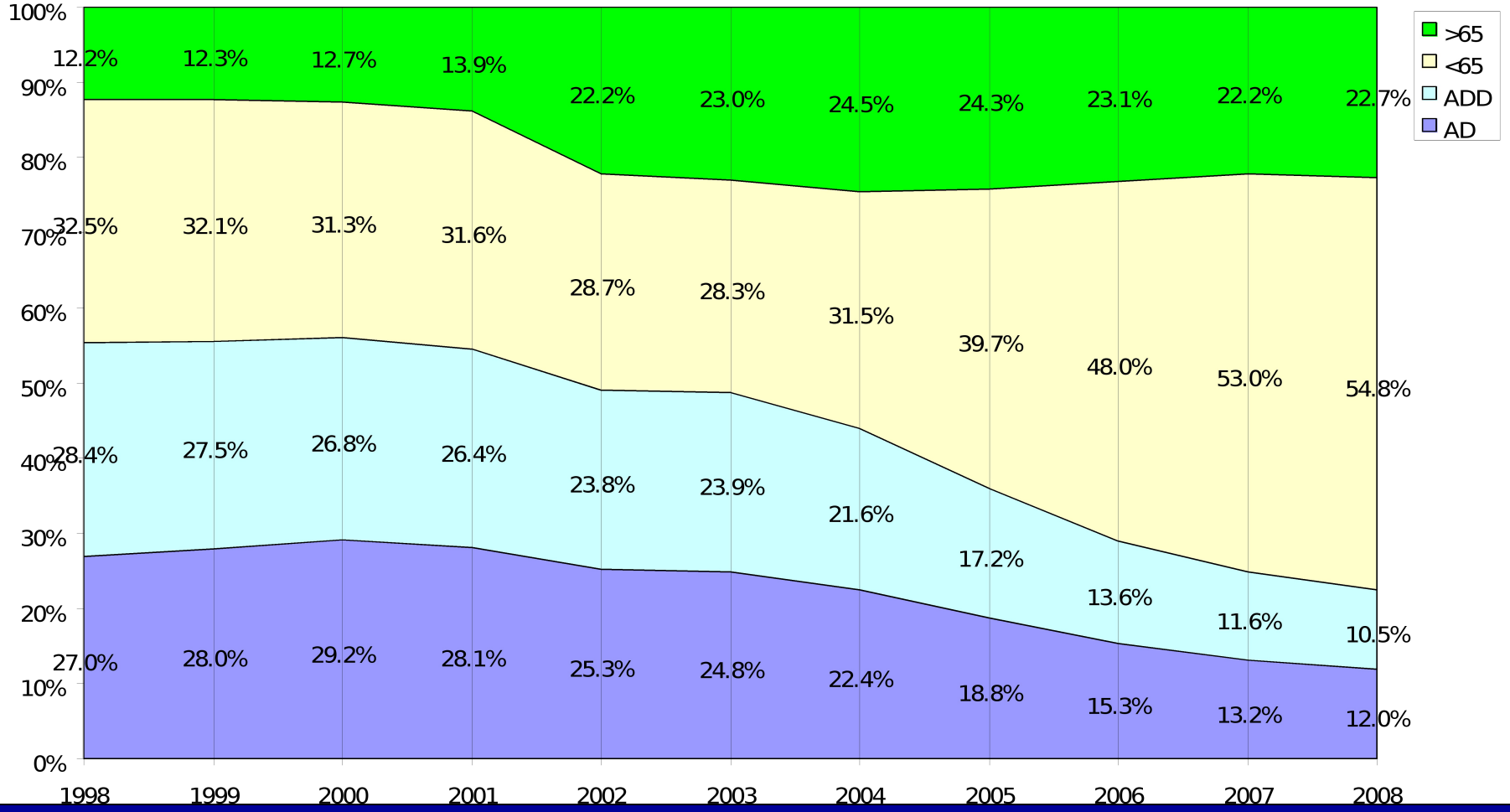
Estimated Trends in Private Sector Care

Retiree under age 65 user trend estimated to grow from 64% to 87% from FY01 - FY11

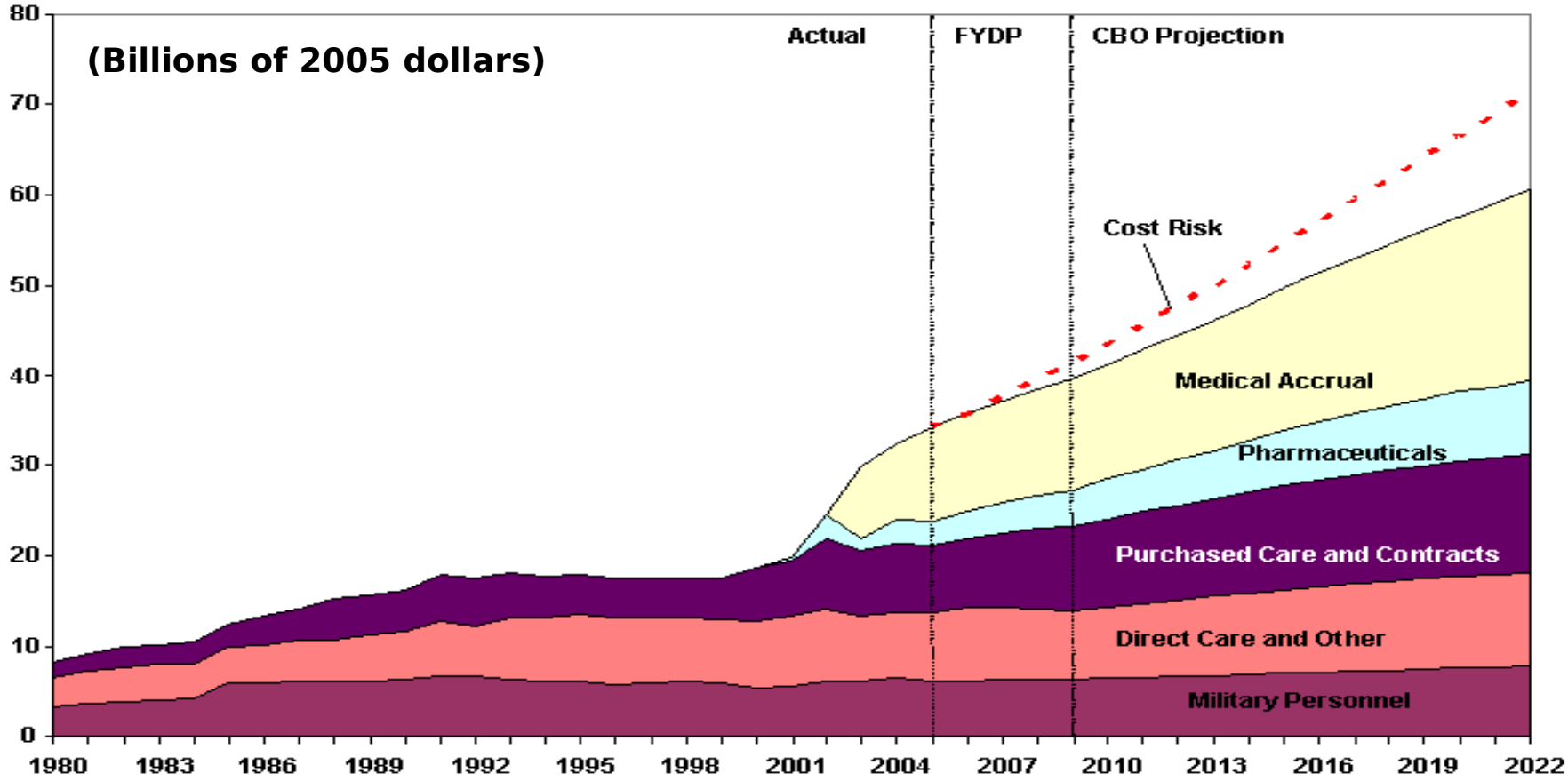


Beneficiary Share

Percent of DHP Health Care Expenditures by Beneficiary Group
With <65 Enrollment Approaching 90% by 2009 - Increase Limited to MCSC



Past and Projected Resources for the Military Medical System



Source: Congressional Budget Office.

DHP Financial Challenges

- Price and Program
  - Increased number of beneficiaries using system
  - Increased beneficiary demand
  - Health care inflation
- Congressional Issues
  - Reserve health care benefit
  - Lack of flexibility to align resources between Direct Care (MTFs) and Private Sector Care to reflect where care is provided
- Readiness
  - Military to civilian conversion within DHP
  - Global War on Terrorism

Cost Control Initiatives

- Implementation of new Health Care Contracts to improve contract management and reduce cost volatility
- Begin implementation of Prospective Payment System that uses performance-based budgeting focusing on the value of outputs rather than the cost of inputs for health care services provided in the Direct Care System
- Partial implementation of Federal ceiling pricing in Retail Pharmacy Network

POM/BES FY 2006-2011
Key Issues

- Pay me now……and pay me later…Future health care cost growth is a significant Department issue
- Military health benefit is extremely rich
- New benefit expansions proposed by Congress cannot be funded without dramatic incursions into Service line budgets
- To meet the proposed funding targets, military treatment facilities must become more efficient and fiscally accountable

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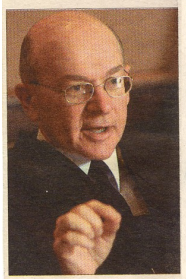
Navy's Strategic Vision versus Fiscal Realities

Achieving the CNO's Vision: Instilling a Culture of Improved Productivity

PHOTOS BY ALAN LESSIG, TIMES STAFF

Adm. Vern Clark, chief of naval operations, says the Navy will focus heavily on quality over quantity, and foresees a time in the not-too-distant future when petty officers first class will be required to hold an associate's degree.



'We're not going to take unnecessary risks as we create the 21st century Navy.'

'We are challenging every assumption'

Chief of Naval Operations Adm. Vern Clark has a thing or two to say about keeping the Navy relevant

By William H. McMichael
TIMES STAFF WRITER

Change, or get out of the way. If you haven't figured that out yet, listen to your chief of naval operations.

"Our Navy is transforming," said Adm. Vern Clark, speaking Nov. 16 during his annual editorial board meeting with Military Times reporters and editors. "We are challenging every assumption."

Quality — say, an aviation lieutenant commander who fails to screen for a department head job but still possesses tons of valuable experience and ability — is in. Quantity — keeping your job for 20 years because you're staying out of trouble and doing an OK job — is out.

On the horizon: an advancement revolution that will favor self-motivated, multitalented personnel.

Clark is sending Navy admirals through a business course that includes a major component on learning how to direct and manage change. He sees a Navy "sometime in the future" — "in a few years," he later added — in which sailors can't be promoted to first-class petty officer unless they've earned an associate's degree.

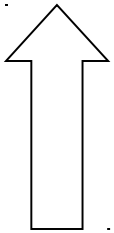
"We will be a more high-tech organization," Clark said, "and we will reward education with advancement opportunities that will be part of the calculus. And that's what is going to happen."

The Navy is calling this reshaping of the force "Human Capital Strategy." While the phrase has a detached and impersonal sound to it, Clark said the plan is simple.

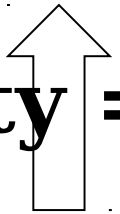
"It's fundamentally how you acquire people ... how you grow and develop them ... [and] the way you will retain the intellectual capital that you need to run your organization," he said.

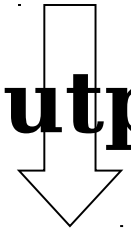
Clark wants people — civilians as well as uniformed personnel — with multiple capabilities, people whose skills will complement the high-tech ships on the drawing boards. He calls it "blurring the lines."

Productivity = Output/Cost

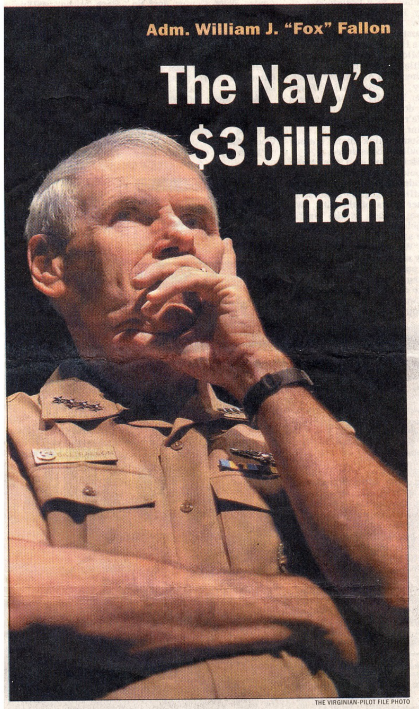


Productivity = Output/ Cost





Admiral: Fallon says Navy must practice fiscal restraint



THE VIRGINIAN-PILOT FILE PHOTO

And still counting...

BY JACK DORSEY
THE VIRGINIAN-PILOT

NORFOLK — Sent here to find ways to save money without cutting into the service's combat power, Adm. William J. "Fox" Fallon has earned a reputation as a "penny-pincher" in his first year as the commander of fleet forces.

That's what has allowed him to find about $3 billion in potential savings for next fiscal year and possibly up to $15 billion in the next six years.

It will only come, Fallon has told the admirals responsible for the Navy's ships, submarines and airplanes, if they find yet more efficiencies in operations, even if it means taking risks.

"I told them to look at everything they did," Fallon said, "to examine procedures and routine activities, such as flying and steaming days, training activities, and the processes within the staffs."

To help reinforce the need for fiscal constraint at sea, he is sending ship

Please see **Admiral,** *Page* **B4**

> *The object is to get people into the business of thinking about the cost of operating."*
>
> **– Speaking about changing the Navy mindset of focusing solely on missions without regard for cost**

> *I don't see any huge excess of facilities here that we clearly need to shed."*
>
> **– Speaking about the Navy's impending report on recommended base closures and realignments**

> *We are already several years behind the power curve on the introduction of the F/A-18 Super Hornet."*
>
> **– Speaking about a contentious new jet-landing practice site**

> *We clearly ought to be able to operate this fleet and continue to recapitalize, given that amount of money."*
>
> **– Speaking about the Navy's $115 billion budget**

Continued from Page B1

captains and squadron skippers back to school. Through an eight-hour executive-level course, they're taught why it is important to shave fuel costs or end the purchase of needless spare parts.

"The object is to get people into the business of thinking about the cost of operating," he said.

"In the fleet, the mindset has been historically to 'Give us a mission and we will execute it and let somebody else worry about the cost,'" he said. "But we have to consider the cost."

He wants his leadership to make the changes at the waterfront, instead of having them made in Washington where politics and bureaucracies have traditionally dictated the fleet's course.

"This is a tough go because it is a huge culture change for the institution," Fallon said.

Fallon, who acknowledges his reputation as what he calls "a penny-pincher," said the Navy's $115 billion budget "is a sum I just can't quite fathom."

"We clearly ought to be able to operate this fleet and continue to recapitalize, given that amount of money," he said.

Fallon, a career aviator who previously was the Navy's vice chief of operations, was sent by the Navy's Washington leadership to the fleet forces post to strengthen the fleet's voice in decision-making.

His time hasn't all been spent on money matters. In an interview, Fallon discussed other significant issues that remain on the front burner into his second year in command:

Q. After determining last year that the Navy's Reserve program needed to change, what has your recent study of Reserve manpower issues disclosed?

A. The Navy's manpower requirements came from a Cold War structure with two parallel paths, an active-duty force and Reserve force, with all sorts of embarrassing examples of duplication. Having both a recruiting office for active duty and Reserves in the same shopping mall was one of them.

In a study that asked about 90 percent of the Navy's commands what they required for personnel, it was determined that more reservists were needed in force protection and special forces to help fight the war on terror, and that's where reservists are being sent.

But in other areas, the study identified 19,000 billets (jobs) that could be eliminated and pending additional legislation.

DREW C. WILSON/THE VIRGINIAN-PILOT FILE PHOTO

A Navy F/A-18 Super Hornet flies over the proposed site of the outlying landing field in Washington County

Q. In about seven months, by May 16, the Secretary of Defense must publish the list of recommended base closures and realignments. What have you done so far in Fleet Forces Command to get ready for that day?

A. Every piece of data on each base, or naval facility, including its size, the number of personnel assigned and its function has been provided.

The focus of this BRAC (base realignment and closure) is to look at functional areas and to come up with some rationalization of what is appropriate, how many other places will be doing the same things.

The Navy got rid of quite a bit of its infrastructure in the 1990s, so I think we are in pretty good shape. I don't see any huge excess of facilities here that we clearly need to shed. That may not be the case for the other services, but in our case, we have really made some huge changes after the Cold War. So we need to be looking at what's going on at those places that remain and how could, or should, they be reorganized.

Q. Recognizing that pending litigation prevents you from speaking at length, are you disappointed it hasn't been an easier road to construct an outlying practice field in Washington County, N.C., where Oceana-based jets can train?

A. Yes, I am disappointed because I see a very great need to move forward here. We are already several years behind the power curve on the introduction of the F/A-18 Super Hornet.

They are starting to show up at Oceana, but we had hoped to have them moving here a couple of years ago, about the same time the transition started on the West Coast.

So it is frustrating that we are not moving forward. We believe we have done our homework. We have spent a lot of time and a lot of effort identifying what was required and to demonstrate the decision that was recommended was the right decision.

It is frustrating because there is a clear need for this facility and we need to help people in North Carolina where this facility will be built.

Q. Are you looking elsewhere for another OLF site?

A. No, we have done the homework. We have looked at all the sites. Gov. Warner has been very forthcoming and said if Virginia can help in any way, it would love to have it here. We said thanks, we appreciate it, but we have looked at many sites and this site in Washington County is far and away the best for any number of reasons.

There is no site that is perfect.

But the population density, the lack of wetlands, the fact it is not encumbered, not encroached, the proximity to both Oceana and Cherry Point, N.C., and the lack of air traffic and other competing factors far and away makes it the best site.

■ *Reach Jack Dorsey at 446-2284 or* **jack.dorsey@pilotonline.com.**

"The object is to get people into the business of thinking about the cost of operating. In the fleet, the mindset has been historically to 'Give us a mission and we will execute it and to let somebody else worry about the cost.' But we have to consider the cost."

-Admiral Fallon

Report: Payroll a threat to programs

Congressional Budget Office warns of looming defense woes

By Rick Maze
TIMES STAFF WRITER

Salaries and benefits for troops and Defense Department civilian employees threaten to squeeze other Pentagon programs such as weapons buying, facilities maintenance and modernization, the nonpartisan Congressional Budget Office says.

That warning, in a report on the long-range implications of the current defense budget, sounds much like the caution flags being raised by senior Pentagon officials who have expressed concerns about the generous pay-and-benefits mood of Congress since the start of the war on terrorism.

Pentagon officials have been especially critical of proposals to increase benefits for reservists and retirees out of concern that the costs could crimp funding for higher wartime priorities.

Just to provide regular pay increases to military and defense civilian employees to keep pace with private-sector wages, the Pentagon can expect its payroll costs to jump by 30 percent between 2005 and 2022, the CBO said. Growth in health-care costs could be even larger, possibly doubling over the same period.

The Pentagon's problems would become larger still if Congress were to be even more generous by approving expensive hikes in retired pay for reserve and National Guard forces or extending concurrent receipt of full retired and disability pay to all disabled retirees, the CBO said.

Personnel costs are only part of the problem addressed in the report, which also looks at costs of developing and buying military equipment and an expected increase in operations and maintenance costs.

The Pentagon's five-year spending plan expects that the budget for 2005, about $402 billion excluding wartime supplemental funding, will rise to about $455 billion by 2009 and average $485 billion a year from 2010 to 2022, the report says.

But those figures are too low, the CBO says, warning that true costs would be 14 percent more than current projections under the best of circumstances and would be even greater if the military has vastly underestimated its needs.

Predictions of dire budget problems over the horizon for the military are not new, but the current situation is more complex for the Defense Department because of the growing federal budget deficit and even bigger problems facing lawmakers with uncontrolled growth in Social Security, Medicare and Medicaid, the CBO says.

With President Bush and Republican leaders in Congress vowing to make deficit reduction a priority next year, it would be difficult — and probably politically impossible — to solve the military's budget problems by simply giving the Pentagon more money, according to House and Senate aides who work on defense budget issues.

Even when the nation had a budget surplus four years ago, the Bush administration strongly resisted efforts to channel some of that extra money to the military. Now, when additional defense funds could be found only by taking money from another federal program, even defense supporters in Congress seem reluctant to push for defense spending hikes, according to congressional aides.

PHAN JACOB J. KIRK, NAVY

Military payroll increases in the coming years could threaten other Pentagon priorities such as maintenance, according to the Congressional Budget Office.

However, the Pentagon has not asked for more. Although the services have long lists of unfunded priorities, related both to ongoing operations and the regular budget, senior defense officials haven't pushed the White House for funding increases.

Instead, the administration's policy has been to seek defense increases only to match inflation and to pay for program increases with cuts somewhere else. Defense officials believe money saved from the next round of base closings, for example, will help reduce the backlog in maintenance and repairs at military installations that won't be closed.

Recruiting and retention

Faced with short budgets and little hope of getting more money, the Pentagon will have no choice but to hold down expenses, congressional aides said. What that means in terms of pay and benefits will depend on whether the services run into serious problems with recruiting and retention.

With the services telling Congress that they're mostly meeting goals for getting and keeping people, there seems to be no pressing need for more big improvements in basic pay and allowances, although some enhancements to special pays and bonuses might be needed to address shortages, aides said.

Under a congressional mandate, the 2006 military pay raise is supposed to be 0.5 percentage point greater than the increase in private-sector wage hikes, which would result in an across-the-board jump in basic pay of about 3.9 percent.

Because money is so tight, the Bush administration could ask for smaller pay increases, such as giving the military the same 3.4 percent raise expected for federal civilian workers, congressional aides said.

And if the administration feels particularly pinched for money, it could seek military and federal civilian raises of less than 3.4 percent, the aides said. □

"Salaries and benefits for troops and Defense Department civilian employees threaten to squeeze other Pentagon programs such as weapons buying, facility maintenance and modernization."

-Navy Times

Fewer hands on deck

Nimitz working to reduce manning by 450 sailors

By Mark D. Faram
TIMES STAFF WRITER

Following the lead of the surface force, the Navy now wants to cut the crew size of its largest ships.

When the San Diego-based aircraft carrier Nimitz leaves for deployment in early 2006, it will likely have 450 fewer sailors than its 11 flat-top counterparts.

Since February, Nimitz has participated in a sweeping manning experiment designed to determine how few sailors can capably run a nuclear-powered aircraft carrier. Similar tests have been conducted on virtually all other surface ships.

MORE NAVY NEWS
Page 18

Faced with fleetwide manning cuts of more than 60,000 sailors by 2009, Navy officials are continually searching for new and unique ways to effectively operate a scaled-down Navy. Modern warships equipped with increasingly high-tech systems and weaponry require fewer people, Navy officials contend.

The Nimitz plans to deploy with ship's company totaling just 2,900, a manning goal set by higher headquarters. That's about 250 fewer than the current reduced manning rates of 3,149 officers and sailors.

Carrier Air Wing 11, the ship's aviation element, also will make cuts. It plans to slice nearly 200 sailors from its normal ranks of 1,443, paring down to 1,249.

Those combined cuts would reduce Nimitz's manning by about 450 sailors.

Nimitz's skipper said the experiment won't be quick, and will last at least until the ship returns from six months at sea.

"This will go on through a complete deployment cycle and in the end be nearly a two-year experiment," said Capt. Bob Gilman.

Nimitz was tapped by the San Diego-based commander of Naval Air Forces, Vice Adm. Michael D. Malone, to be the test carrier because it is nuclear powered, based on the West Coast near his headquarters and just starting its deployment training cycle.

Exactly where the cuts will come from is an ongoing battle, Gilman said, adding no job is sacred.

Cutting down to size

The task of slicing jobs began with a critical comparative analysis. He looked to other "optimal manning" experiments conducted on surface ships for inspiration.

"The most comparable units for us were the big-deck amphibs," he said. Though one-third the crew size of a nuclear carrier, the assault ship Boxer was able to shave 87 billets from its traditional 1,080-member crew.

Cruisers and destroyers, too, have trimmed down, with most cruisers cutting 36 billets and early Arleigh Burke-class destroyers weighing in with 35 fewer sailors.

PH2 MONICA L. MCLAUGHLIN, NAVY

A manning experiment aboard the aircraft carrier Nimitz aims to cut 450 sailors from the ship's company and air wing before its deployment in 2006.

Gillman's first task, however, was cutting the current 3,500-sailor crew — already 10 percent overmanned because of yard maintenance requirements — to the reduced manning figures of 3,149.

Gilman offered early outs to some sailors and transferred others off the ship up to a year early, all while ensuring combat capability of the ship.

"We've got to keep in mind that the mission of this ship is to launch and recover combat aircraft," Gilman said.

Thanks to a reduced air wing, other cuts were obvious.

"Our S-3 Viking squadron decommissioned after the last deployment, so we'll deploy with 60 aircraft this time, down from the 72 we had last time," he said.

Fewer aircraft require fewer sailors to handle and maintain them, he said. "Since we almost never run all four of the aircraft elevators at the same time, now we dropped from four elevator crews down to three."

Also, aircraft today knock out more targets with fewer bombs because of better guidance systems that require fewer ordnance handlers onboard, he said. And aircraft, too, require less maintenance. F/A-18s, for example, aren't as maintenance-intensive as other aircraft, he said.

He's also taken a nod from fleetwide ratings mergers to identify other cuts.

"The Navy is planning on merging their photographers, journalists, lithographers and draftsmen, so we've already combined them onboard Nimitz," he said.

The merger of quartermasters and signalmen, he said, saved him a few sailors, and the addition of a high-tech navigation system made eight more quartermasters expendable.

These cuts soon sparked others.

"When you reduce the numbers of those who directly support the aircraft and operating the ship, you then don't need as much overhead," he said.

For example, he plans to move about 30 sailors from his personnel shop to shore "in the next few months" to establish a pay and personnel office to handle most of the ship's personnel functions, which will leave just a few personnel specialists onboard to interact with the crew.

But unlike surface ships, Gillman plans to keep most postal clerks onboard to handle the mail and money order functions, though two billets have been cut from the division.

Other support functions such as laundry and food service have had manning adjustments.

"I've still got the same number of cooks onboard," Gilman said, but he has combined all the food service workers, cutting about 25 manager billets in the process.

With the advent of self-serve laundries onboard Navy ships, the need for ship's laundry has been reduced but not eliminated, he said.

Right now, he says, about 200 Nimitz sailors have been taken off in the test and are on temporary duty onboard the aircraft carrier Ronald Reagan.

None of the cuts are permanent yet, Gilman said.

"That way, if we find we've made a mistake along the line," he said, "we can move them back aboard with just a few days' warning." □

Admiral Vern Clark, Chief of Naval Operations has directed his fleets to find what the true manning level should be as the Navy restructures itself. The Navy faces a proposed reduction in force of 60,000 officers and enlisted over the next six years.

ADM Vern Clark

"Our commitment has been this – we'll spend whatever it takes for the people to grow and develop the people who have committed their life to defend the principles and the values that this nation believes in. But having said that, I don't want to spend a nickel for somebody that we really don't need."

Hoping to cut costs, Navy tries civilians on some warships

Crews have more work experience, require fewer benefits than military counterparts

BY ERIC TALMADGE
ASSOCIATED PRESS

ABOARD THE CORONADO — Chief engineer Andrew Busk wears jeans and a T-shirt to work, and he doesn't salute when the captain walks by. Although Busk is in charge of the engine room of the U.S. 7th Fleet's temporary flagship, he isn't even in the Navy.

THE NAVY

He could be the look of its future.

Reflecting increasing pressure to cut costs and shift personnel to where they are most needed, the command ship Coronado recently sailed into Yokosuka, the fleet's homeport just south of Tokyo, with a mostly civilian crew in an experiment officials say could have broad implications for the way the Navy staffs its ships around the world.

Stretched thin by tight fiscal restraints and the demands of supporting operations in Iraq and elsewhere, the Navy is streamlining its forces and rethinking its deployments. As part of the changes, it is cutting nearly 8,000 personnel – for an estimated annual savings of nearly $1 billion.

The Coronado experiment fits right in with the streamlining.

Though the top command, weapons and other key positions are reserved for military personnel, civilians outnumber sailors on the San Diego-based Coronado 153 to 117. The size of the crew is also significantly smaller – about 200 fewer than usual.

Officers say the crew reduction was possible mainly because of the experience the civilians bring with them. Though most Navy ships carry many young sailors still learning how to do their jobs, the civilians aboard the Coronado are seasoned mariners who can often do the work of several trainees.

KATSUMI KASAHARA/ASSOCIATED PRESS

Coronado Capt. Christopher Noble makes a speech after the flagship's arrival in Yokosuka, Japan, south of Tokyo, in March, while casually dressed civilian crew look on from the deck.

"If they want to save money, we can do the job cheaper and more effectively," Busk said, adding that he was able to cut the Coronado's engine room staff from 18 to just three by increasing automation and cutting redundancy.

That approach has a lot of appeal to today's Navy.

Unlike their enlisted counterparts, civilians can be let go as soon as they are no longer needed. Though they are paid about twice as much as people in uniform, they don't get many of the military's benefits, including its retirement package.

They can also be used for custodial or cooking tasks, freeing up sailors for what Navy planners call "tip of the spear" posts.

"Typically a new sailor is trained for a couple of years in a skill, and then when he gets his first assignment at sea it's something like cooking in the mess," said 7th Fleet spokesman Cmdr. Scott Gureck. "This allows more people to do what they signed up to do."

The program is patterned after the use of mainly civilian crews on supply ships, tankers, tug boats and other vessels in what is called the Military Sealift Command. One of the command's main missions is to position dozens of ships off the shores of troublespots around the world to supply military operations.

"More than 100 ships combine sailors and federal service employees," Coronado Capt. Chris Noble said.

The use of civilians on warships challenges some deep traditions.

Coronado Master Chief Bill Porter noted that, unlike merchant marine ships, the Navy has to plan for the possibility that crewmembers may be killed in combat, and have crew ready on board to act as a backup. For that reason, officials say they do not plan to send the leaner, mixed crews on combat missions.

"The Navy has some fat built in by design," Porter said. "The end product may be that this is not efficient for every ship in the Navy. It's not so much can we reduce our manning, but should we."

Noble acknowledged the program was, in part, the result of "a business discussion."

Noble added that the presence of the civilians, who have brought up the crew's average age significantly, has changed the general feeling on board.

"I've had people with type II diabetes, heart attacks, a pacemaker," he said. "As long as you're able-bodied, you can be a civilian mariner."

Even so, Noble stressed that although the pilot program is still under way, he believes the arrangement has already shown great potential.

"It's a whole different culture," he said. "But it feels right."

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NAVAL MEDICAL CENTER PORTSMOUTH, VIRGINIA FIRST AND FINEST

New Sheriff in town!

ADM Mullen's 2005 Guidance

- Sustain current readiness
- Build a fleet for the future
- Transform our personnel system

VADM Mullen's Message at All Flag Officers Meeting April 2003

VADM Mullen states "We need to figure out how much Navy Medicine **should** be costing us."

ADM Mullen's Message to the Three and Four Stars July 2005

"I'm going to recapitalize the Navy because I need a

Fleet. If we don't recapitalize we will have great

medical care but no Navy"

Followed by probing questions – "Should we downsize

Navy Medicine because it costs too much?"

ADM Mullen's Presentation to the EBC on 22 Aug 2005

- "Right now healthcare is out of control. The big reason is it lacks line uniformed involvement who have been left out of the loop."
- "We need to ask 'What resources should a mission require?'"
- "We must seek and attain more efficient use of resources to generate more product."

The Portsmouth Experience

Step by Step

1. Set Workload Standards
2. Monitor Productivity
3. Improve Data Accuracy
4. Recapture Network Care
5. Improve the Value of Care

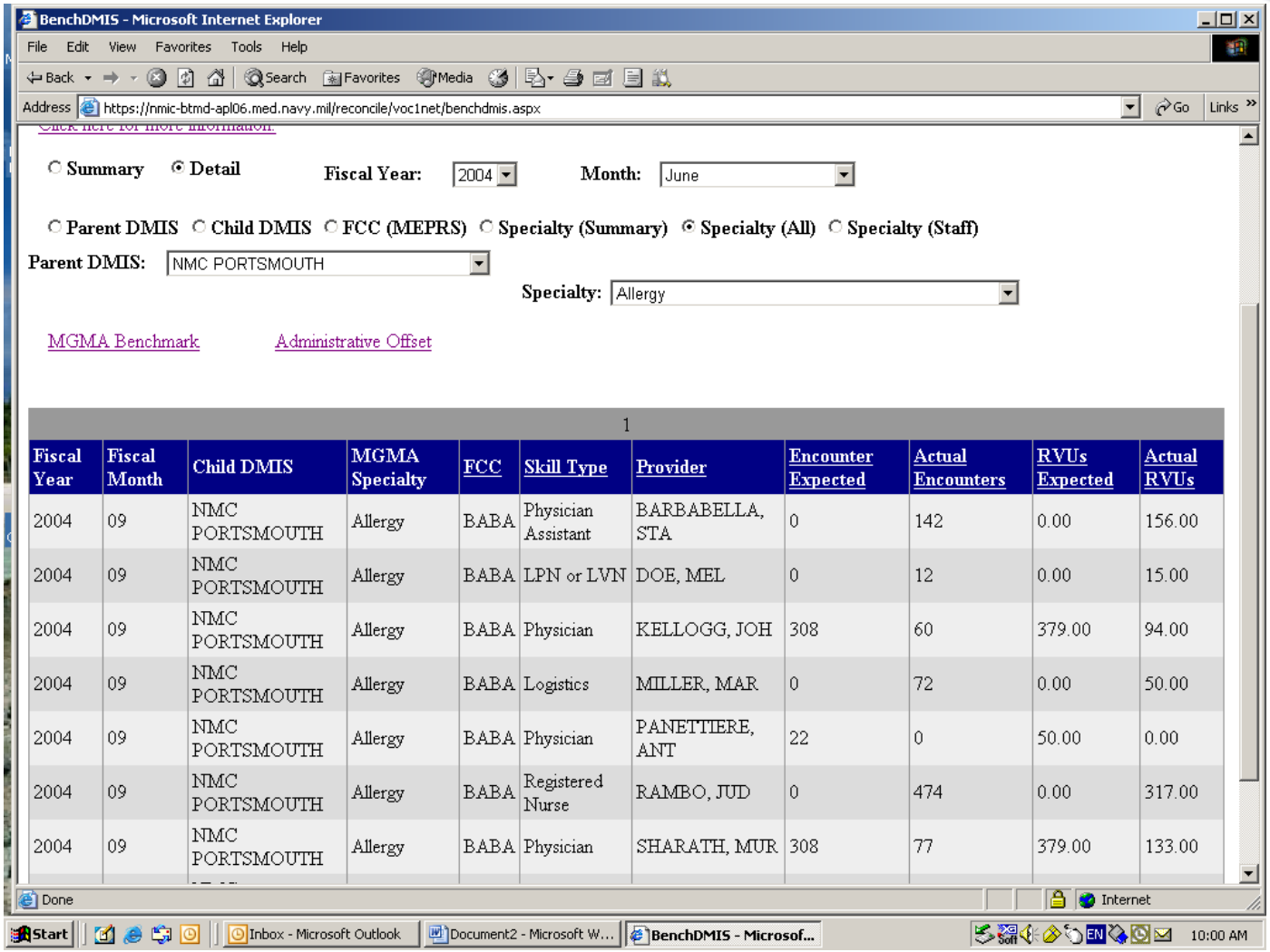
Benchmarked Workload Standards

Clinic	ENCOUNTERS	Benchmark Source	RVU's
Surgery			
Neurosurgery	1600 per YEAR	75% Academic '98, '01, '02, MGMA	7800
Podiatry	3450 per YEAR	75% Academic '98, '01, '02, MGMA	4250
ENT	2950 per YEAR	75% Academic '98, '01, '02, MGMA	5800
General Surg	1850 per YEAR	75% Academic '98, '01, '02, MGMA	6250
Urology	2850 per YEAR	75% Academic '98, '01, '02, MGMA	6200
Ophth	4550 per YEAR	75% Academic '98, '01, '02, MGMA	7400
Ortho Gen	3450 per YEAR	Priv Prac median ’98, ’01, ‘02 MGMA	7000
Ortho Hand	3600 per YEAR	Priv Prac median ’98, ’01, ‘02 MGMA	7300
Ortho Spine	2750 per YEAR	75% Academic '98, '02, MGMA	9850
Ortho Sports	3300 per YEAR	Priv Prac median ’98, ’01, ‘02 MGMA	7300
Chiropractor	4750 per YEAR (23 per DAY)	Camp Pend Provider Productivity Oct '03	N/D
Plastic Surg	2400 per YEAR	75% Academic '98, '01, '02, MGMA	5600
Vascular	1750 per YEAR	75% Academic '01, '02, MGMA	6900

Trident Tool

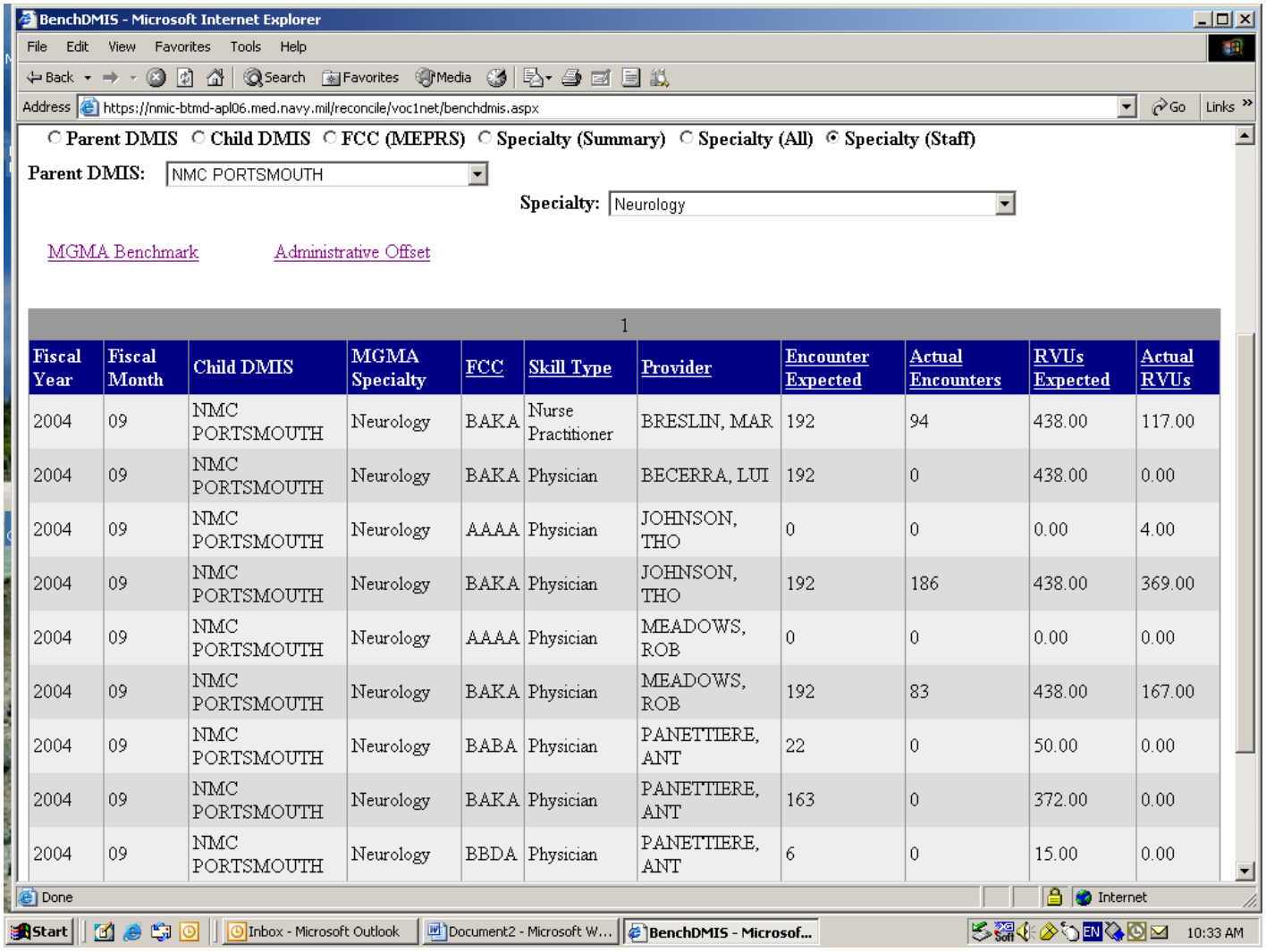
Clinic Allergy BABA	BP FTE	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Projected Workload		807	807	807	807	807	807	807	807	807
Workload Actual		293	410	310	369	365	321	435	474	446
% Workload		**36.3 %**	**50.8 %**	**38.4 %**	**45.7 %**	**45.2 %**	**39.8 %**	**53.9 %**	**58.7 %**	**55.2 %**
Assigned FTE's	**2.6**	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
FTE Workload		0.9	1.3	1.0	1.2	1.2	1.0	1.4	1.5	1.4
Delta FTE		**1.7**	**1.3**	**1.6**	**1.4**	**1.4**	**1.6**	**1.2**	**1.1**	**1.2**
RVU Target		987	987	987	987	987	986	986	986	986
RVU Actual		499	781	528	669	585	471	689		
% RVU		**50.6 %**	**79.1 %**	**53.5 %**	**67.8 %**	**59.3 %**	**47.8 %**	**69.9 %**	**0.0%**	**0.0%**
New Appointed Referrals		1	5	0	0	5	1	3	4	5
Authorized Referrals		0	0	0	0	0	0	0	0	0

SPMS Accuracy



Fiscal Year	Fiscal Month	Child DMIS	MGMA Specialty	FCC	Skill Type	Provider	Encounter Expected	Actual Encounters	RVUs Expected	Actual RVUs
2004	09	NMC PORTSMOUTH	Allergy	BABA	Physician Assistant	BARBABELLA, STA	0	142	0.00	156.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	LPN or LVN	DOE, MEL	0	12	0.00	15.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	Physician	KELLOGG, JOH	308	60	379.00	94.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	Logistics	MILLER, MAR	0	72	0.00	50.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	Physician	PANETTIERE, ANT	22	0	50.00	0.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	Registered Nurse	RAMBO, JUD	0	474	0.00	317.00
2004	09	NMC PORTSMOUTH	Allergy	BABA	Physician	SHARATH, MUR	308	77	379.00	133.00

SPMS Accuracy



Fiscal Year	Fiscal Month	Child DMIS	MGMA Specialty	FCC	Skill Type	Provider	Encounter Expected	Actual Encounters	RVUs Expected	Actual RVUs
2004	09	NMC PORTSMOUTH	Neurology	BAKA	Nurse Practitioner	BRESLIN, MAR	192	94	438.00	117.00
2004	09	NMC PORTSMOUTH	Neurology	BAKA	Physician	BECERRA, LUI	192	0	438.00	0.00
2004	09	NMC PORTSMOUTH	Neurology	AAAA	Physician	JOHNSON, THO	0	0	0.00	4.00
2004	09	NMC PORTSMOUTH	Neurology	BAKA	Physician	JOHNSON, THO	192	186	438.00	369.00
2004	09	NMC PORTSMOUTH	Neurology	AAAA	Physician	MEADOWS, ROB	0	0	0.00	0.00
2004	09	NMC PORTSMOUTH	Neurology	BAKA	Physician	MEADOWS, ROB	192	83	438.00	167.00
2004	09	NMC PORTSMOUTH	Neurology	BABA	Physician	PANETTIERE, ANT	22	0	50.00	0.00
2004	09	NMC PORTSMOUTH	Neurology	BAKA	Physician	PANETTIERE, ANT	163	0	372.00	0.00
2004	09	NMC PORTSMOUTH	Neurology	BBDA	Physician	PANETTIERE, ANT	6	0	15.00	0.00

Currently 27 Prime Network Patients

Patient Information	Patient Status
Patient "X"	Patient Category: ADFM Deferred by MTF: Yes
Pediatrics	
DOB:	2/7/2005 12:00:00 AM
FMPSSN:	01/XXX-XX-XXXX
Admit Date:	05/04/20
DRG LOS:	137/3.3
LOS:	47
Claim Notification:	No
Facility:	Children's Medical Center Washington, DC
Diagnosis:	Ostium Secundum Type Atrial Septal Defect Has CCC syndrome Dandy Walker Malformation, Shunt 4/25 and correction of cardiac defect 5/10/05 Surgery delayed due to septicemia.
Care Provided/Plan:	S/P correction of cardiac defect 5/13/05. 6/8/05 Rhythm disturbances under control but has difficulty maintaining airway, still intubated. ? abnormality on CT bleed, vs cyst, will be considered for transfer either to Bethesda or NMCP in the next few days if condition stays stable. Will require hospitalization for weeks.
Transfer Potential:	Expect to be able to transfer by 6/21/05, mother requesting humanitarian transfer
Provider Notes:	6/16/05 Unable to extubate x3, will receive trach on this date anticipate being able to transfer after 4-5 days. Arrythmia controlled by one med. less of a problem at this point.
Discharge Notes:	

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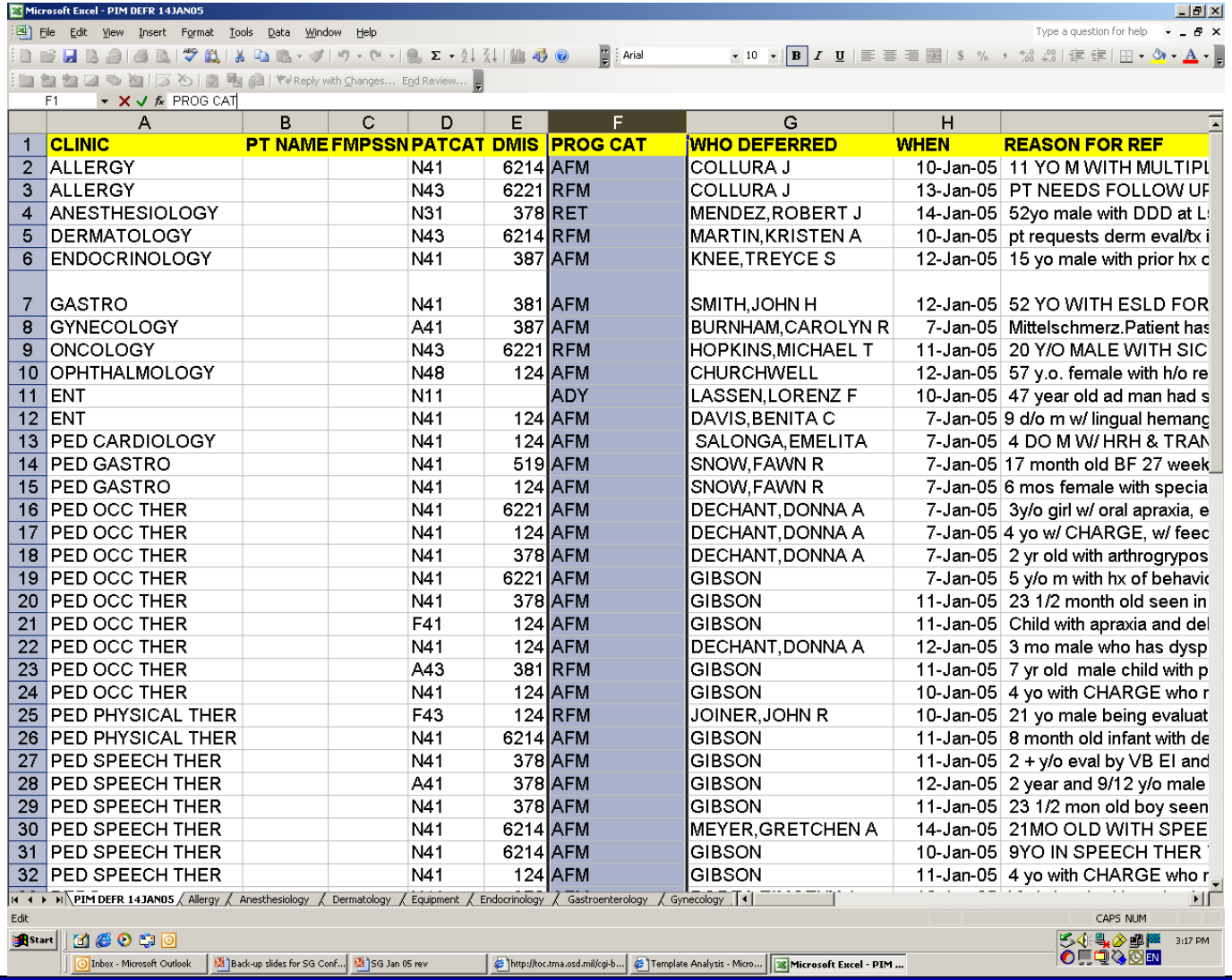
Deferrals



	A	B	C	D	E	F	G	H	
1	CLINIC	PT NAME	FMPSSN	PATCAT	DMIS	PROG CAT	WHO DEFERRED	WHEN	REASON FOR REF
2	ALLERGY			N41	6214	AFM	COLLURA J	10-Jan-05	11 YO M WITH MULTIPL
3	ALLERGY			N43	6221	RFM	COLLURA J	13-Jan-05	PT NEEDS FOLLOW UP
4	ANESTHESIOLOGY			N31	378	RET	MENDEZ,ROBERT J	14-Jan-05	52yo male with DDD at L
5	DERMATOLOGY			N43	6214	RFM	MARTIN,KRISTEN A	10-Jan-05	pt requests derm eval/tx i
6	ENDOCRINOLOGY			N41	387	AFM	KNEE,TREYCE S	12-Jan-05	15 yo male with prior hx c
7	GASTRO			N41	381	AFM	SMITH,JOHN H	12-Jan-05	52 YO WITH ESLD FOR
8	GYNECOLOGY			A41	387	AFM	BURNHAM,CAROLYN R	7-Jan-05	Mittelschmerz.Patient has
9	ONCOLOGY			N43	6221	RFM	HOPKINS,MICHAEL T	11-Jan-05	20 Y/O MALE WITH SIC
10	OPHTHALMOLOGY			N48	124	AFM	CHURCHWELL	12-Jan-05	57 y.o. female with h/o re
11	ENT			N11		ADY	LASSEN,LORENZ F	10-Jan-05	47 year old ad man had s
12	ENT			N41	124	AFM	DAVIS,BENITA C	7-Jan-05	9 d/o m w/ lingual hemang
13	PED CARDIOLOGY			N41	124	AFM	SALONGA,EMELITA	7-Jan-05	4 DO M W/ HRH & TRAN
14	PED GASTRO			N41	519	AFM	SNOW,FAWN R	7-Jan-05	17 month old BF 27 week
15	PED GASTRO			N41	124	AFM	SNOW,FAWN R	7-Jan-05	6 mos female with specia
16	PED OCC THER			N41	6221	AFM	DECHANT,DONNA A	7-Jan-05	3y/o girl w/ oral apraxia, e
17	PED OCC THER			N41	124	AFM	DECHANT,DONNA A	7-Jan-05	4 yo w/ CHARGE, w/ feec
18	PED OCC THER			N41	378	AFM	DECHANT,DONNA A	7-Jan-05	2 yr old with arthrogrypos
19	PED OCC THER			N41	6221	AFM	GIBSON	7-Jan-05	5 y/o m with hx of behavic
20	PED OCC THER			N41	378	AFM	GIBSON	11-Jan-05	23 1/2 month old seen in
21	PED OCC THER			F41	124	AFM	GIBSON	11-Jan-05	Child with apraxia and del
22	PED OCC THER			N41	124	AFM	DECHANT,DONNA A	12-Jan-05	3 mo male who has dysp
23	PED OCC THER			A43	381	RFM	GIBSON	11-Jan-05	7 yr old male child with p
24	PED OCC THER			N41	124	AFM	GIBSON	10-Jan-05	4 yo with CHARGE who r
25	PED PHYSICAL THER			F43	124	RFM	JOINER,JOHN R	10-Jan-05	21 yo male being evaluat
26	PED PHYSICAL THER			N41	6214	AFM	GIBSON	11-Jan-05	8 month old infant with de
27	PED SPEECH THER			N41	378	AFM	GIBSON	11-Jan-05	2 + y/o eval by VB EI and
28	PED SPEECH THER			A41	378	AFM	GIBSON	12-Jan-05	2 year and 9/12 y/o male
29	PED SPEECH THER			N41	378	AFM	GIBSON	11-Jan-05	23 1/2 mon old boy seen
30	PED SPEECH THER			N41	6214	AFM	MEYER,GRETCHEN A	14-Jan-05	21MO OLD WITH SPEE
31	PED SPEECH THER			N41	6214	AFM	GIBSON	10-Jan-05	9YO IN SPEECH THER
32	PED SPEECH THER			N41	124	AFM	GIBSON	11-Jan-05	4 yo with CHARGE who r

Value of Care

NMCP Orthopedic FY05 Business Plan

Clinical Service: ORTHO/ORTHO HAND/PODIATRY/CHIROPRACTIC Outpatient MEPRS Code: BEAA/BEA5/BECA/BEC5,BEZA,BEFA							
Value of Care:							
FY04	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Value of Care	$ 652,405	$ 622,947	$ 782,828	$ 732,992	$ 687,648	$ 833,820	$ 4,312,640

Clinical Expenses	
Clinical Management	$ 16,146
Operation of Utilities	$ 104,263
Direct Expense	$ 4,002,617
Total Clinic Expenses	$ 4,123,026
Labor Costs associated w/Res & Interns	$ 323,157
Total Clinic Expenses minus Int/Res labor	$ 3,799,869

Profit/Loss (Value of Care - Sum of Total clinic Expense)
6 months: $512,770.89
12 months: $1,025,541.78

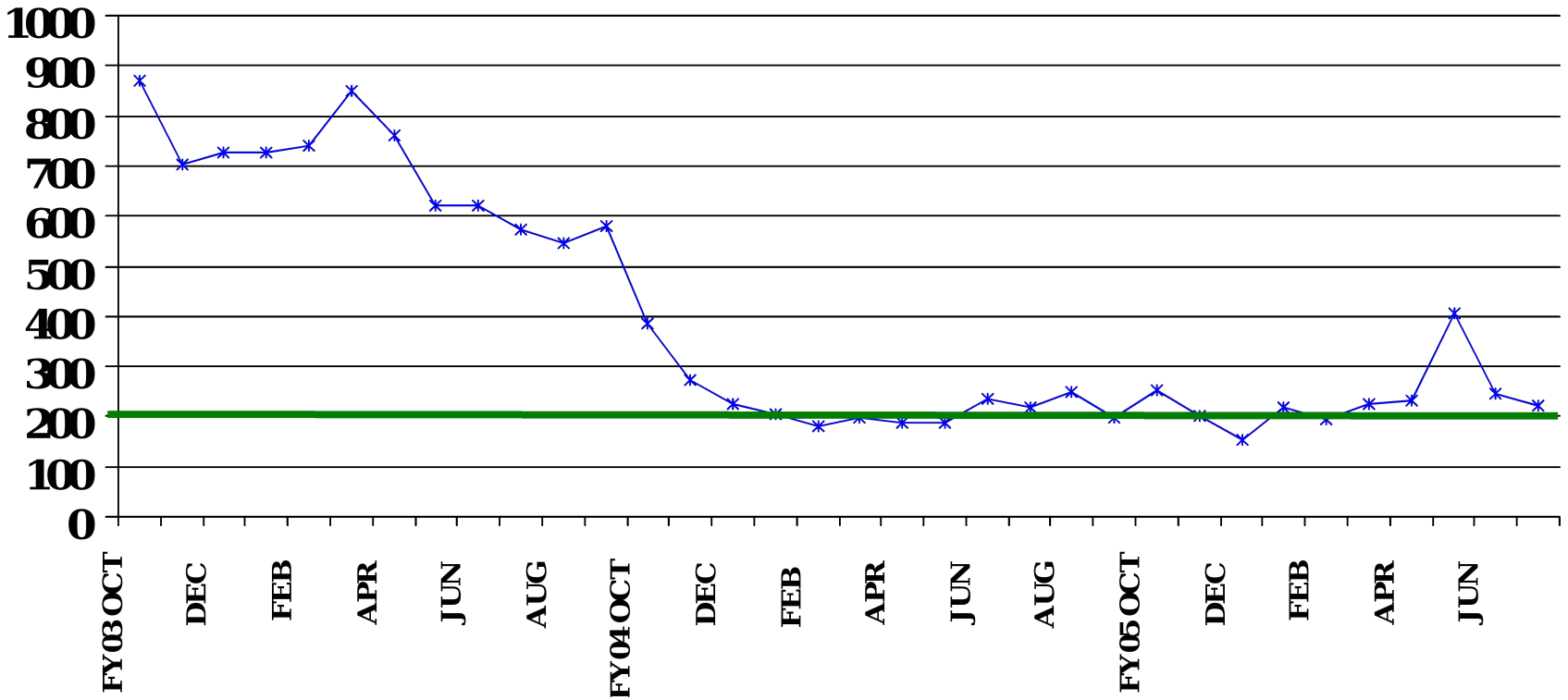
If the "Value of Care" is less than or equal to the "Total Clinic Expenses" please explain how you will bring them into alignment.

Source: TRIDENT						
Clinic : Ortho						
MEPRS: BEAA/BEA5	Jan	Feb**	Mar	Apr	May	Jun
Projected Workload	3454	3479	2904	2616	2616	2616
Workload Actual	2102	2108	2391	2239	2210	2622
% Workload	60.9%	60.6%	82.3%	85.6%	84.5%	100.2%
Actual FTE's	12.1	12.1	10.1	9.1	9.1	9.1
FTE Workload	7.4	7.3	8.3	7.8	7.7	9.1
Delta FTE	(4.7)	(4.8)	(1.8)	(1.3)	(1.4)	0.0
RVU Target **	7051	7058	5892	5308	5308	5308
RVU Actual	5690	5624	6473	6201	5401	7313
% RVU	80.7%	79.7%	109.9%	116.8%	101.7%	137.8%
New Appointed Referrals	6	1	1	5	5	6

RVU Source- DO & Statistics Webpage, M2
Actual workload- Clinic visits, surgeries, I/P consultations
Actual FTE's- Actual Workload/Established benchmark
**RVU Target changed commencing February to meet new standards

Results

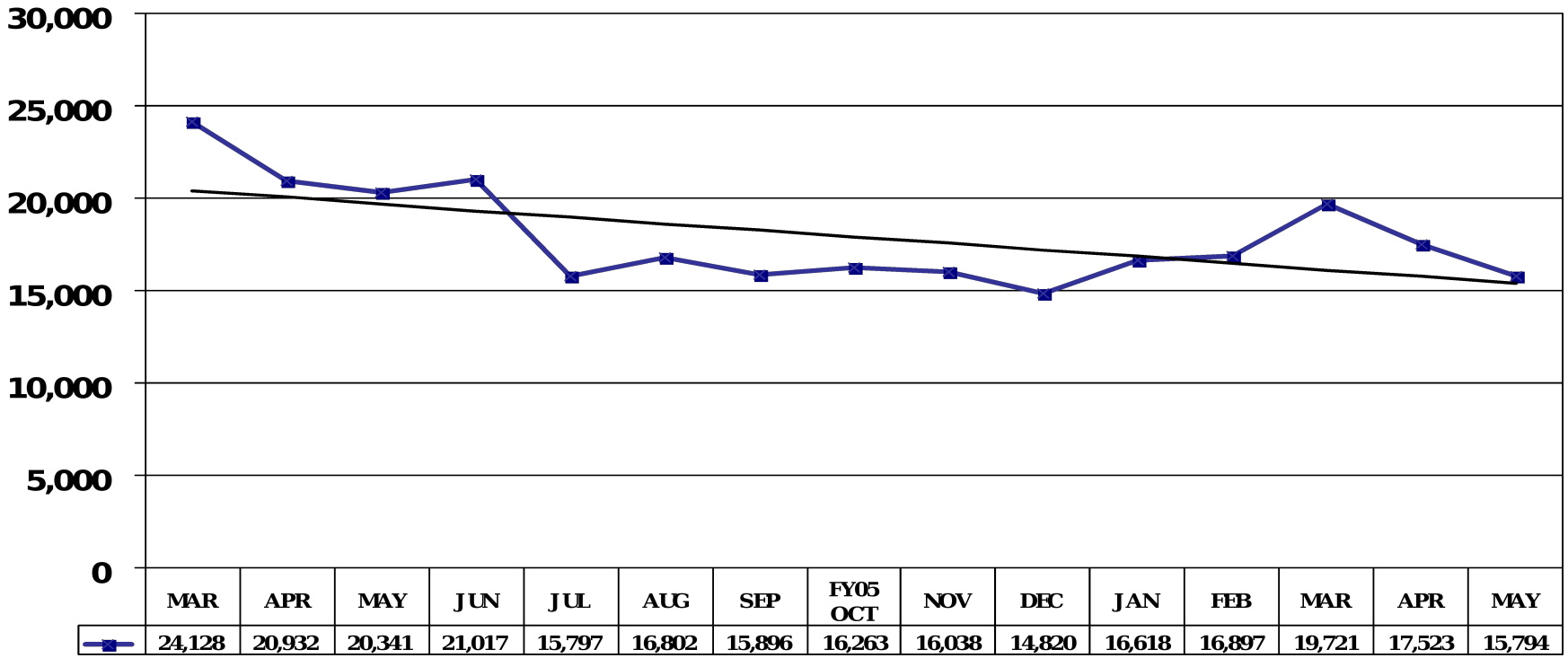
FY03-05 Non-Active Duty Prime Network Deferrals



Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Source: CHCS Deferral Report - pulled 9 Aug 2005

July = 222

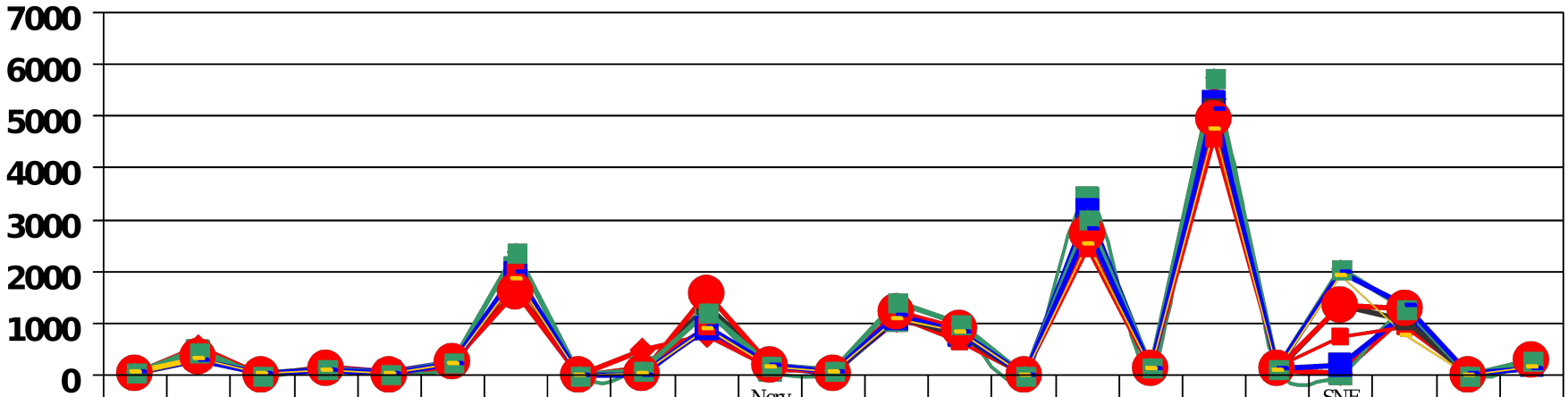
FY04-05 Network Prime Outpatient Purchased Care Visits



	MAR	APR	MAY	JUN	JUL	AUG	SEP	FY05 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
	24,128	20,932	20,341	21,017	15,797	16,802	15,896	16,263	16,038	14,820	16,618	16,897	19,721	17,523	15,794

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Source: M2 - 09 Aug 05

FY04-05 Network Prime Visits Breakout (Outpatient only)

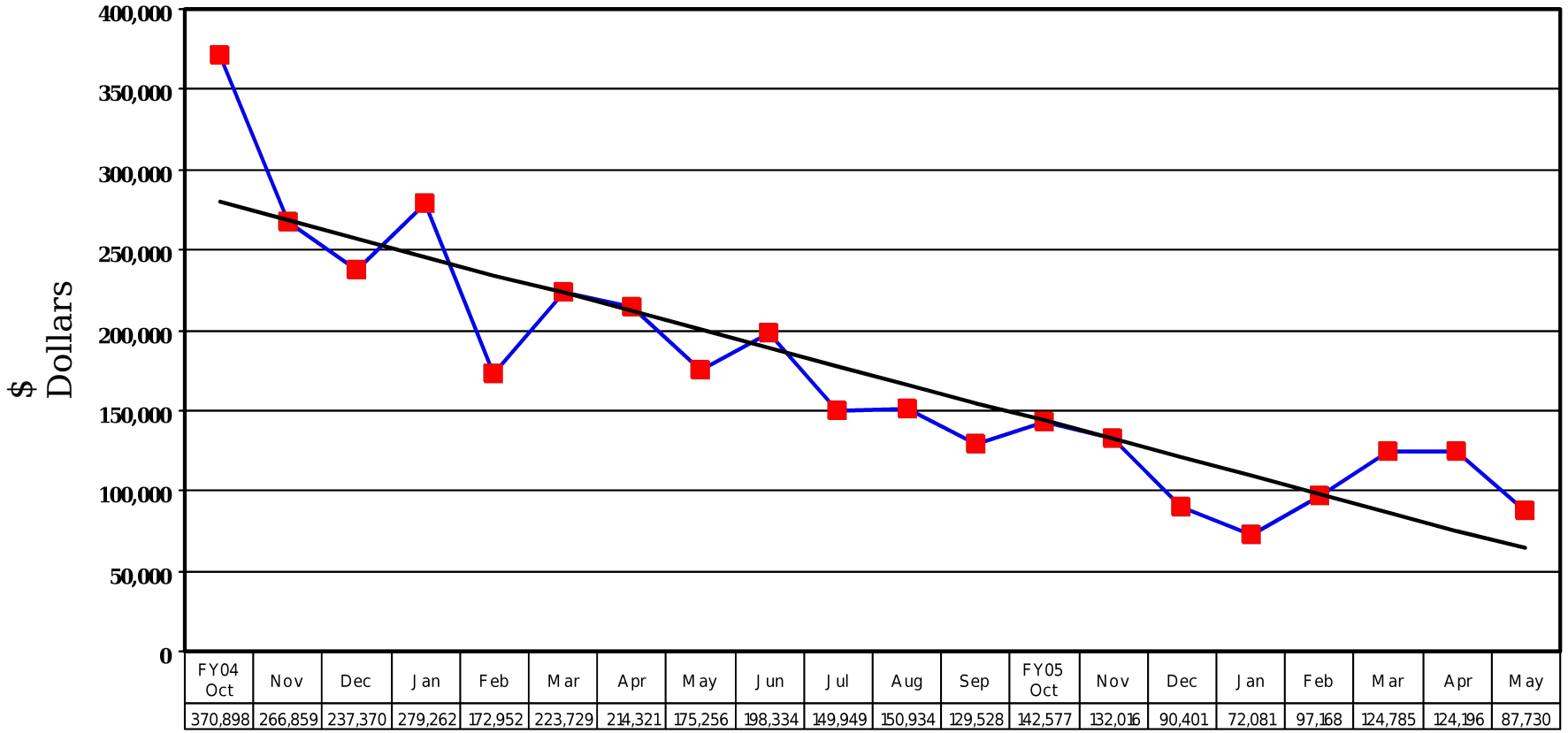


	All-ergy	Card Vasc	Chem	Con-sult	Crit Care	Dialy	ER	Gastro	Hosp Svcs	Immun Injec	Nerv Sys Test	Neuro Musc	Off Svcs	Ophth	Oth Svcs	Phys Med	Prev Med	Psych	Pulm	SNF Home Health	Spec ENT	Vasc Diag	Prev Med
SEP	31	559	16	147	64	172	1,882	1	495	769	159	56	1,045	858	12	2,845	133	5,316	101	36	1,166	21	208
OCT FY05	34	436	16	101	67	221	2,044	0	117	1,069	106	67	1,075	806	7	3,416	130	5,090	101	32	1,188	7	213
NOV	35	372	22	113	58	262	1,974	5	30	902	162	47	1,090	770	3	3,173	116	5,274	132	178	1,178	18	205
DEC	34	355	13	89	60	252	2,008	2	147	936	110	57	1,118	642	0	2,449	99	4,562	160	738	930	22	270
JAN	41	282	33	118	28	256	1,627	1	76	1,358	182	46	1,108	760	1	2,893	148	5,150	98	1,343	1,057	7	244
FEB	41	350	13	113	14	248	1,609	3	41	1,573	182	48	1,233	890	5	2,715	122	4,947	117	1,342	1,276	13	286
MAR	57	452	13	117	36	248	2,365	3	96	1,225	204	85	1,406	995	4	3,025	162	5,736	125	2,068	1,286	13	293
APR	54	294	22	107	26	219	2,004	2	15	922	186	55	1,166	846	0	2,826	134	5,138	118	1,996	1,358	27	122
MAY	53	312	20	102	20	212	1,866	0	22	886	146	62	1,088	828	1	2,537	128	4,740	83	1,920	760	7	152

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations

Source: M2 – 09 Aug 05

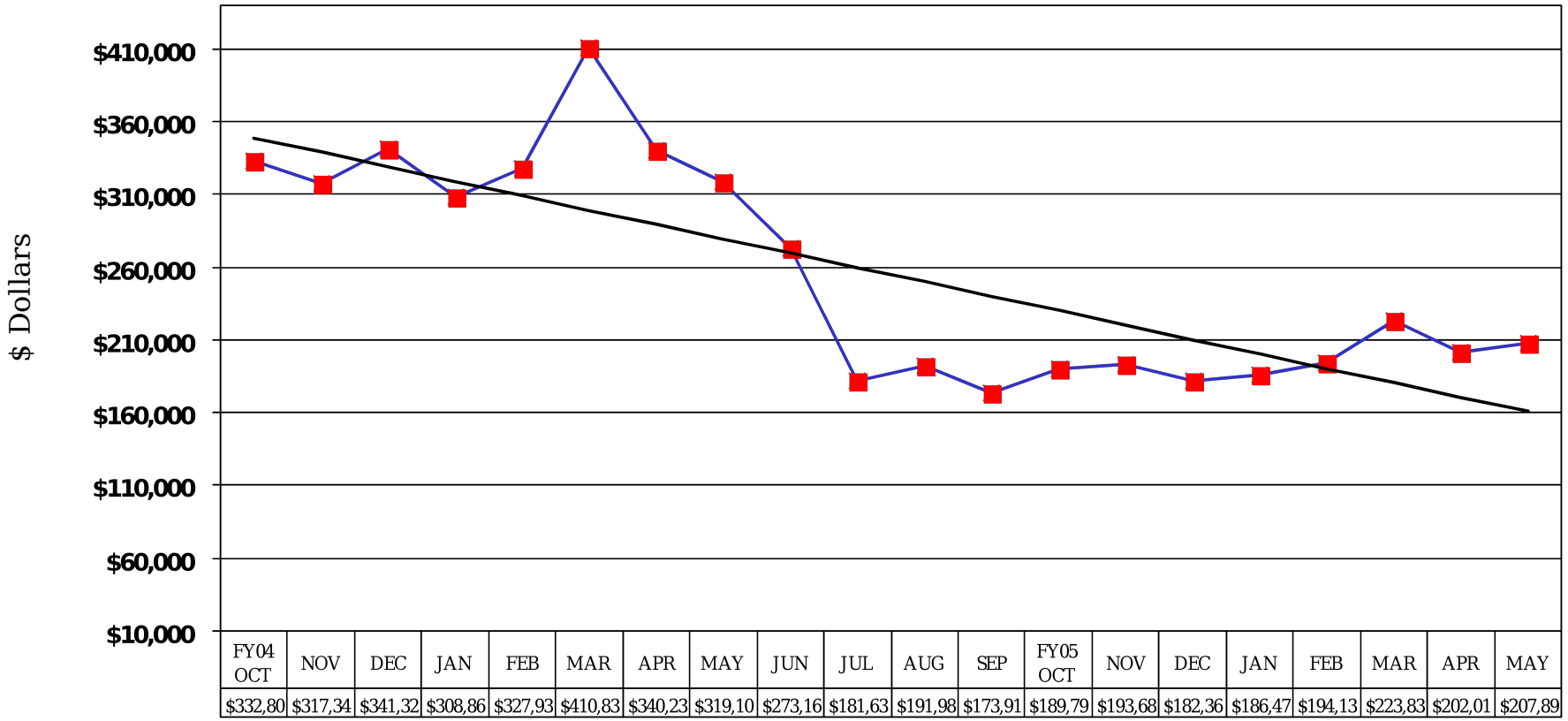
Outpatient Surgery Prime Network by CPT



FY04 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY05 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
370,898	266,859	237,370	279,262	172,952	223,729	214,321	175,256	198,334	149,949	150,934	129,528	142,577	132,016	90,401	72,081	97,168	124,785	124,196	87,730

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: FY03-FY04-FY05 M2 – 09 Aug 05
(CPTs 10021-69990)

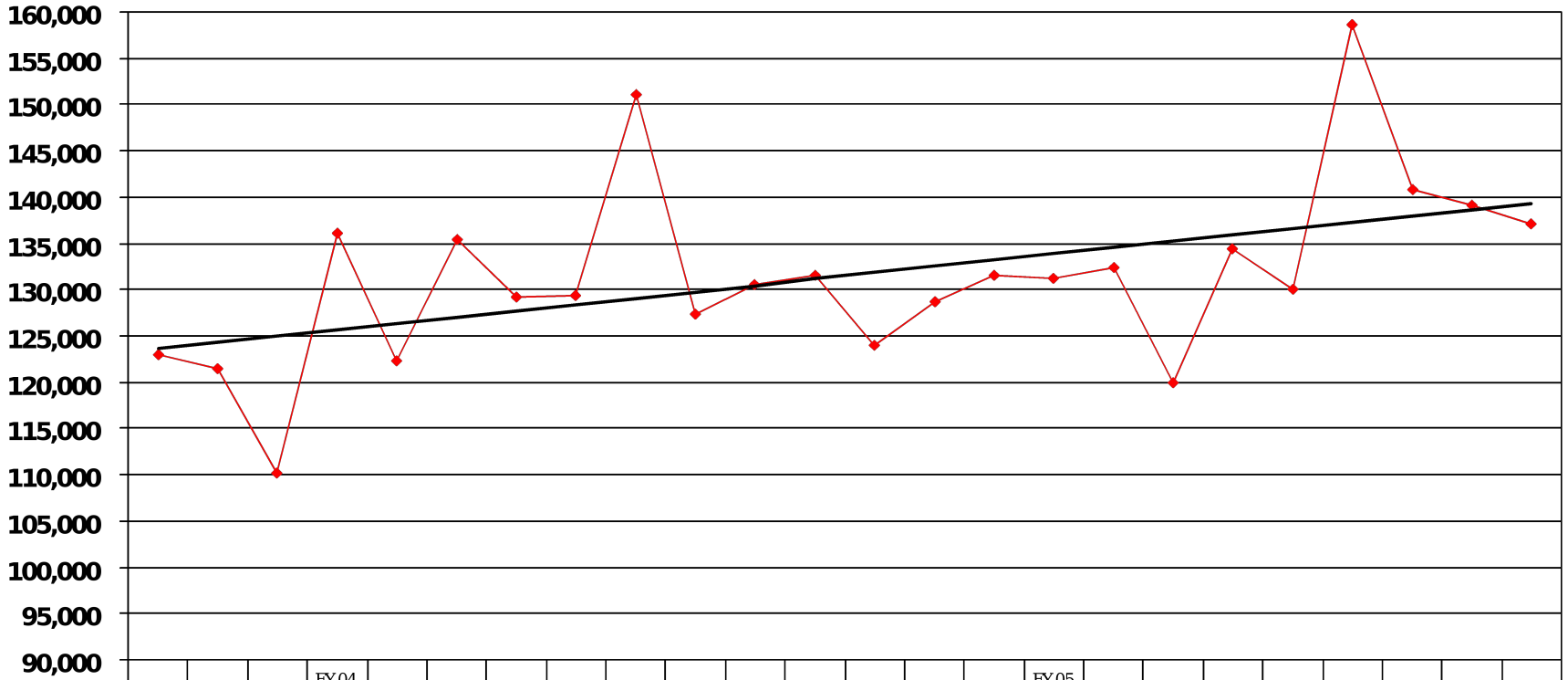
Purchased Care Prime Professional Services Costs by Date of Care Received



FY04 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	FY05 OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
$332,80	$317,34	$341,32	$308,86	$327,93	$410,83	$340,23	$319,10	$273,16	$181,63	$191,98	$173,91	$189,79	$193,68	$182,36	$186,47	$194,13	$223,83	$202,01	$207,89

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: M2 – 9 Aug 05 (CPTs 99201-99600)

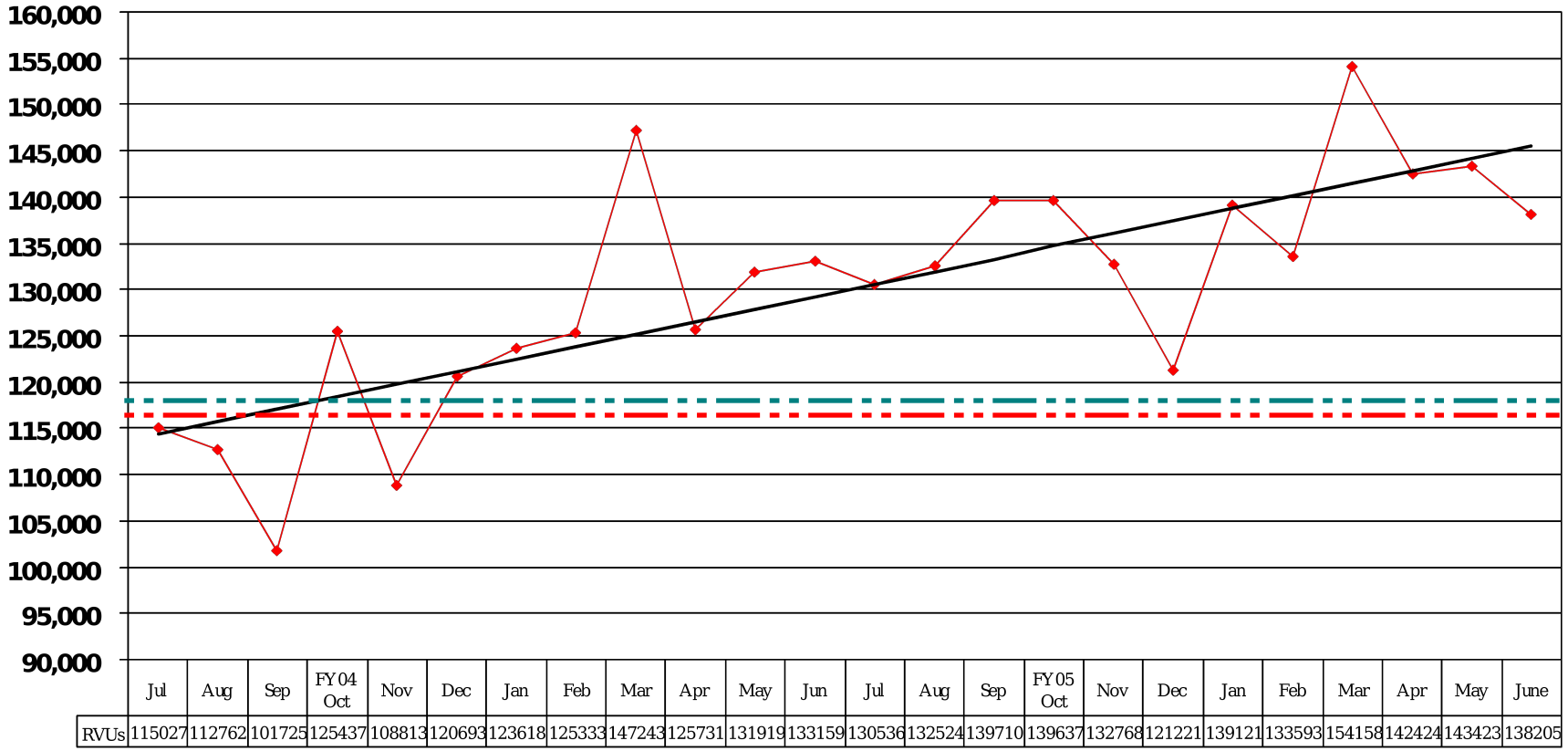
Direct Care Outpatient Encounters



	Jul	Aug	Sep	FY 04 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY 05 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Encounters	122984	121395	110142	136173	122365	135353	129132	129447	151063	127333	130513	131479	124033	128759	131581	131192	132484	120030	134460	130111	158667	140753	139093	137110

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: M2 – 9 Aug 05

Direct Care Outpatient RVUs

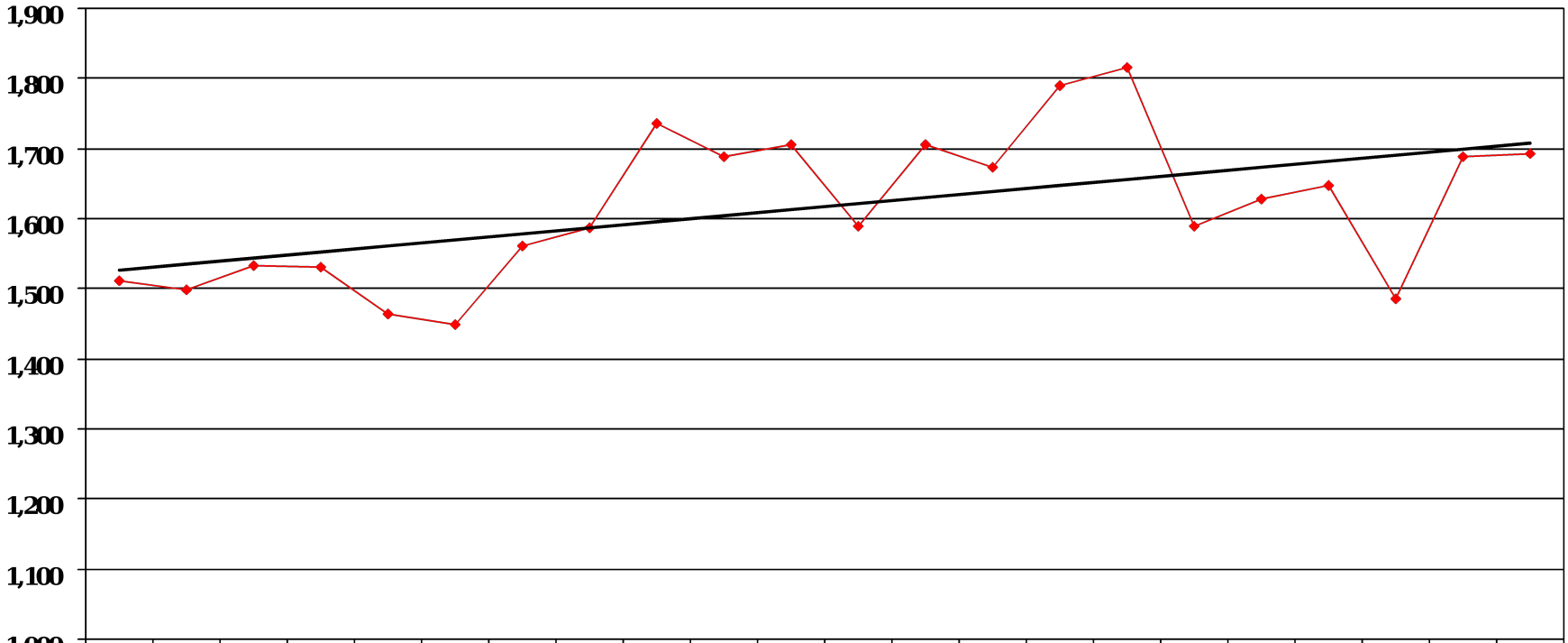


	Jul	Aug	Sep	FY 04 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY 05 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
RVUs	115027	112762	101725	125437	108813	120693	123618	125333	147243	125731	131919	133159	130536	132524	139710	139637	132768	121221	139121	133593	154158	142424	143423	138205

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: M2 – 9 Aug 05

Green = FY05 Plan
Red = FY03 Baseline

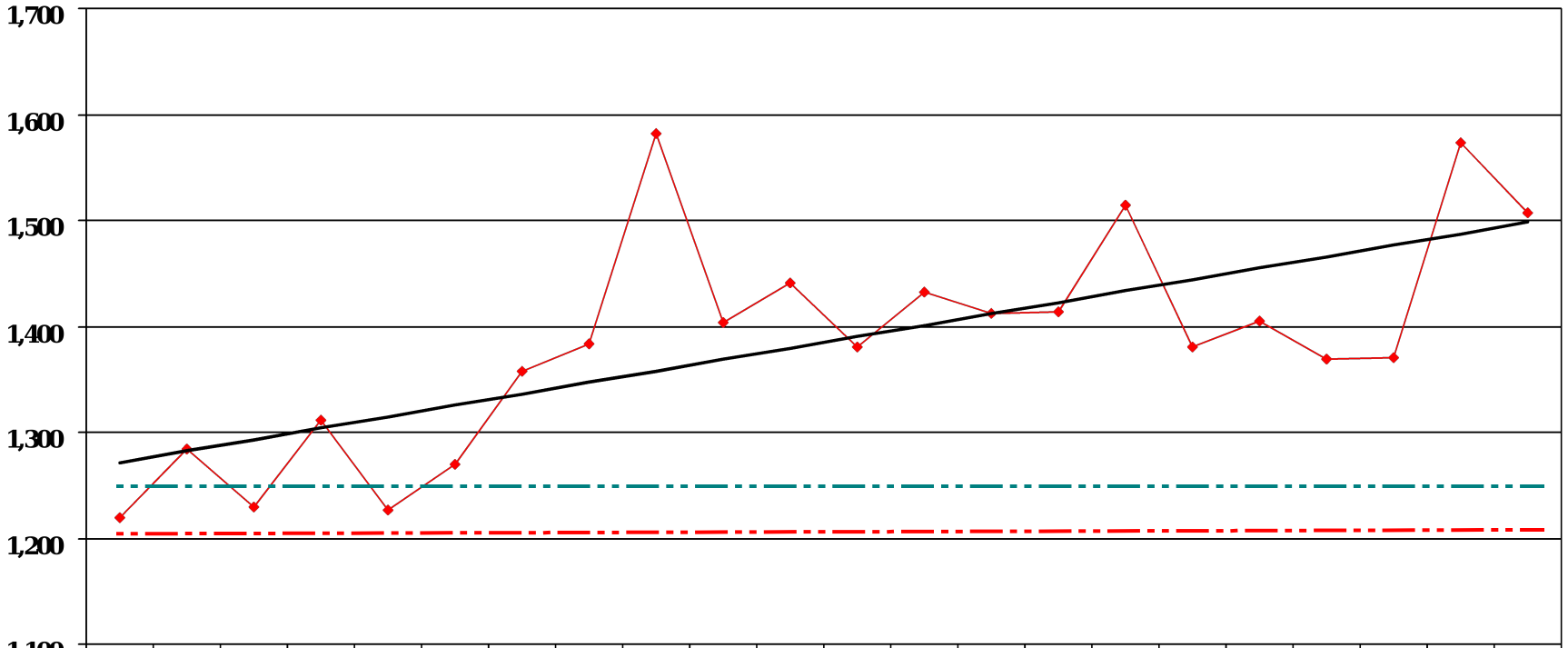
Direct Care Inpatient Dispositions



	Jul	Aug	Sep	FY 04 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY 05 Oct	Nov	Dec	Jan	Feb	Mar	Apr
Dispos	1,512	1,499	1,534	1,530	1,465	1,450	1,561	1,588	1,737	1,688	1,706	1,590	1,706	1,674	1,789	1,815	1,590	1,627	1,647	1,485	1,689	1,693

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: M2 – 9 Aug 05

Direct Care Inpatient RWPs



	Jul	Aug	Sep	FY04 Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY05 Oct	Nov	Dec	Jan	Feb	Mar	Apr
RWPs	1,220	1,284	1,229	1,312	1,227	1,270	1,358	1,384	1,582	1,404	1,441	1,381	1,433	1,412	1,413	1,514	1,380	1,405	1,369	1,370	1,574	1,507

Medical Services and Data Management
NMCP-Directorate for Healthcare Business Operations
Sources: M2 – 9 Aug 05

Green = FY05 Plan
Red = FY03 Baseline

Business Plans/Staffing

Revenue-generating directorates

- Director, Surgical Services
  - 2003: 627 FTE ASSIGNED
  - 2005: 614.85 FTE ASSIGNED
  - Decrease: 12.15
- Director, Fleet and Family Medicine
  - 2003: 757.5 FTE assigned
  - 2005: 644.5 FTE assigned
  - Decrease: 113 FTE
- Total Decrease: 125.15 FTE

Overall Impact

Human Capital Strategy

- Direct Care Decrease of 87 FTEs $5.8M
- Resource Sharing Decrease of 32 FTEs $6.9M
- PBD 712 Conversion Decrease of 90 FTEs $16.7M

Increased Productivity

- 17% Increase in Core Medical Center Outpatient Productivity from FY03
- 14% Increase in Inpatient Productivity from FY03

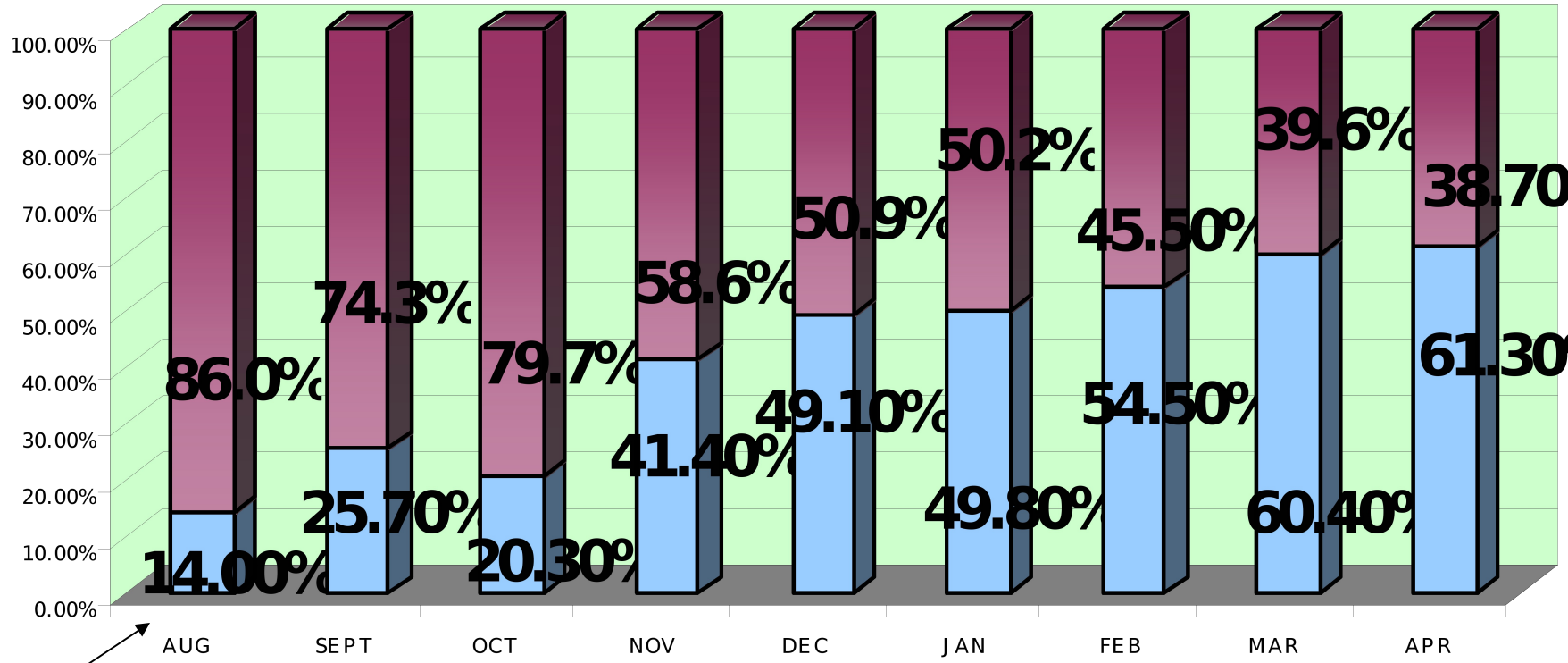
NAVY MEDICINE
World Class Care…Anytime, Anywhere

Network Savings

	Savings in BAG1	Cost in BAG2	Langley AFB PC Cost	Ft. Eustis PC Cost	Total MSM PC Cost	Cost in Network	Cost to Savings Ratio
Close To Standard Only	$3,615,290.91	$0.00	$0.00	$0.00	$0.00	$14,348,744.26	4 :1
Close to Standard and Ret Dep Prime	$5,022,203.56	$3,707,329.77	$650,144.70	$817,155.99	$5,174,630.46	$25,038,580.66	5 :1
Close to Standard and All Ret Prime	$6,070,389.81	$6,946,336.75	$1,208,521.10	$1,574,392.39	$9,729,250.24	$34,654,652.88	6 :1
Close to Standard All Prime but NMCP	$8,723,584.04	$6,946,336.75	$2,595,595.44	$2,560,153.76	$12,102,085.94	$60,973,413.56	7 :1
Close to all but Active Duty	$10,557,121.54	$19,646,010.50	$2,595,595.44	$2,560,153.76	$24,801,759.69	$65,238,565.17	6 :1

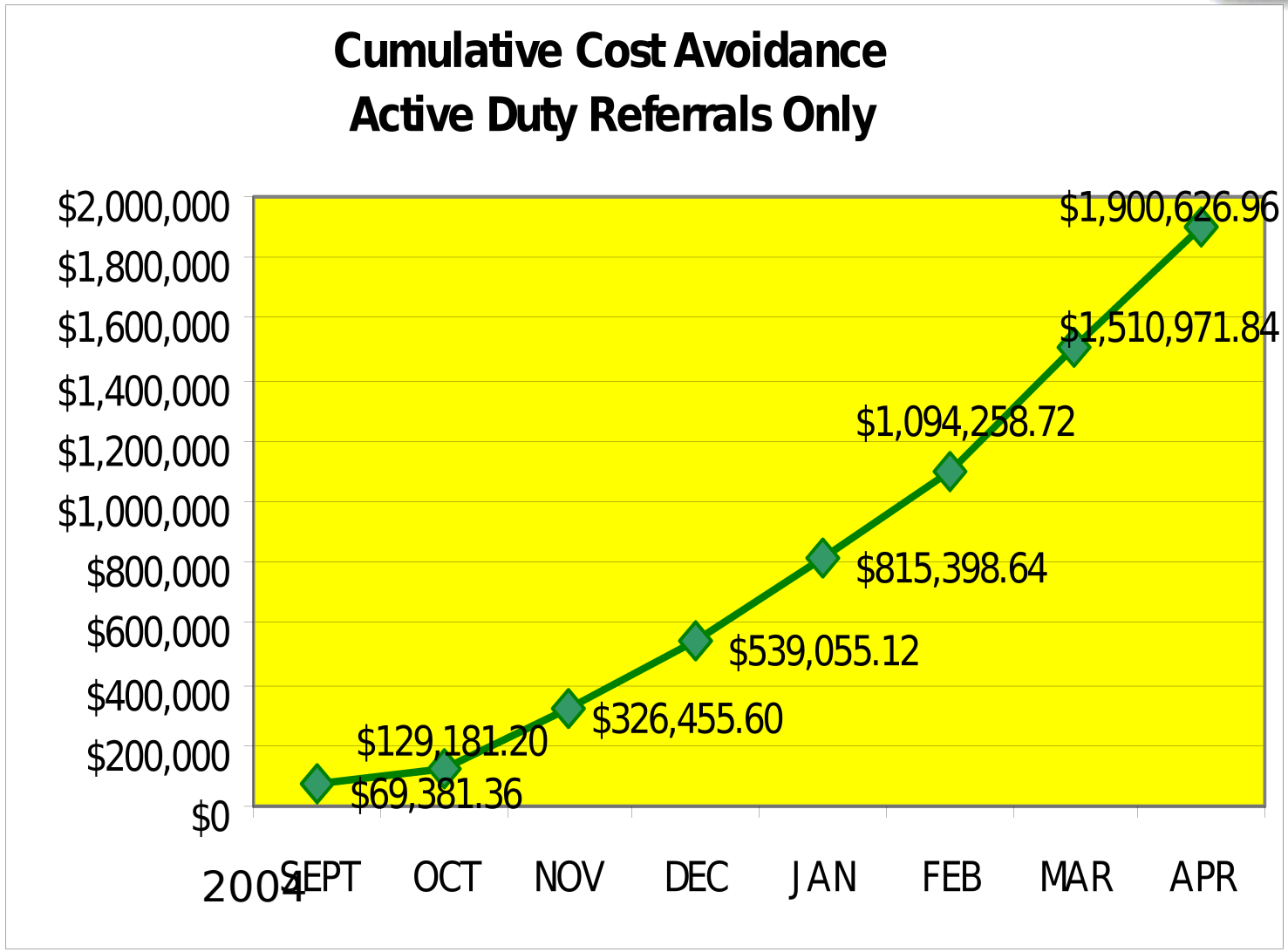
Naval Hospital Pensacola

Percentage of Referrals Deferred to Network



Bad Man Arrives
July 28th

Naval Hospital Pensacola



FY05 Prime Network Savings as of 6 Sept 05

Organization	Dollars Saved
NMCP	$12.4M
TOTAL NAVY MEDICINE	($8M)

Good to Great
by Jim Collins

"Stockdale Paradox: You must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties, **AND** *at the same time* have the discipline to confront the most brutal facts of your current reality, whatever they might be."

Good to Great
by Jim Collins

"We expected that good-to-great leaders would begin by setting a new vision and strategy. We found instead that they ***first*** got the right people on the bus, the wrong people off the bus and the right people in the right seats- and ***then*** they figured out where to drive it. The old adage "People are your most important asset" turns out to be wrong. People are not your most important asset . The ***right*** people are."

Execution

by Bossidy and Charan

"Lots of business leaders like to think that the top dog is exempt from the details of actually running things. It's a pleasant way to view leadership: you stand on the mountaintop, thinking strategically and attempting to inspire your people with visions, while managers do the grunt work…This way of thinking is a fallacy, one that creates immense damage."

Good to Great
by Jim Collins

"Those who launch revolutions, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough and beyond."

Questions and Discussion

NAVY MEDICINE
World Class Care…Anytime, Anywhere

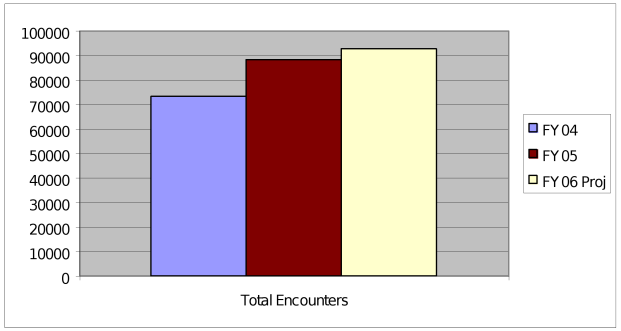
Back Up Slides
Orthopedics

HIGHLIGHTS

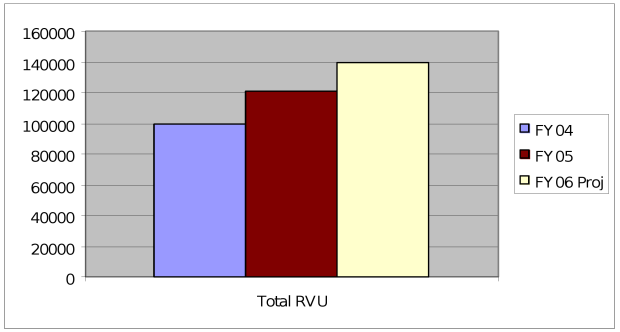
Component	FY04	FY05	%Chg	FY06 Proj	%Chg
Total Encounters	73569	88394	20%	92814	5%
Total RVU	99922	120834	21%	139221	15%
Gross Revenue (VOC)	$7,394,255	$8,941,680	21%	$10,302,354	15%
Total Expenses	$7,428,782	$7,448,935	0.27%	$7,564,351	2%
Net Value	($34,554)	$1,682,529	4969%	$2,738,003	63%
Margin	-0.47%	18.82%	4127%	26.58%	99%
Gross Rev (VOC)/enc	$101	$101	0.65%	$111	10%
Net Value/enc	($0.47)	$19	4153%	$29	55%
Net Value/rvu	($0.35)	$14	4127%	$20	41%

PRODUCTIVITY

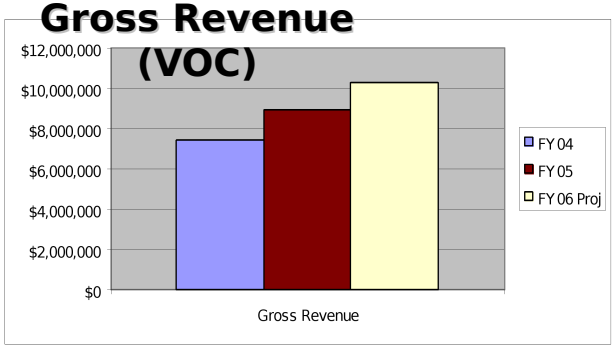
Total Encounters



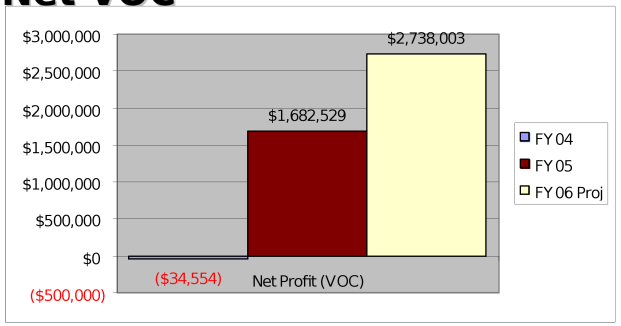
Total RVU



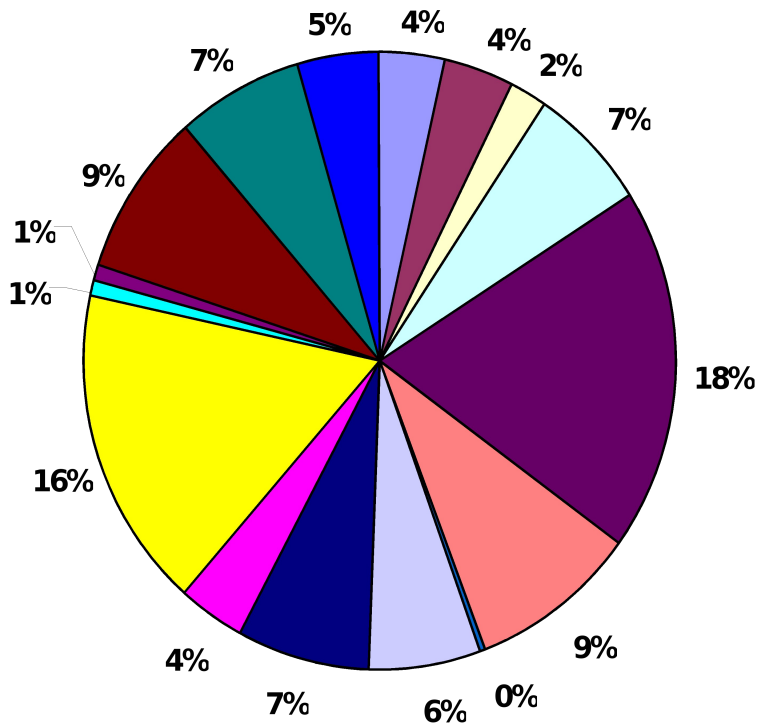
Gross Revenue (VOC)



Net VOC



REVENUE (VOC) BY DIVISION



- Acute Care Ortho
- Foot & Ankle
- Fracture
- Hand
- NSN Sports & Chiropractic
- Oceana Sports & Chiropractic
- Oncology/Tumor
- Ortho Pediatrics
- Ortho Spine & Chiropractic
- Orthopedics NMCP
- Orthopedics Same Day
- Orthotics
- Physical Medicine
- Podiatry
- Sports
- Total Joints

PROJECTIONS FY06

Results:	RVU/YR	ENC/YR	ENC/MO
Breakeven Point:	**98,953**	**74,401**	**6200**

		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Enc	**Vol/period**	0	8,453	16,906	25,359	33,813	42,266	50,719	59,172	67,625	76,078	84,531	92,985	101,845
RVU	**Vol/period**	0	11,555	23,111	34,666	46,221	57,777	69,332	80,887	92,443	103,998	115,553	127,109	139,221
CMAC	**price/unit**	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00	74.00
Fixed costs		$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373	$6,728,373
Variable costs		$0	$69,386	$138,772	$208,159	$277,545	$346,931	$416,317	$485,703	$555,089	$624,476	$693,862	$763,248	$835,978
Total costs		$6,728,373	$6,797,759	$6,867,146	$6,936,532	$7,005,918	$7,075,304	$7,144,690	$7,214,077	$7,283,463	$7,352,849	$7,422,235	$7,491,621	$7,564,351
Total revenue		$0	$855,095	$1,710,191	$2,565,286	$3,420,382	$4,275,477	$5,130,572	$5,985,668	$6,840,763	$7,695,858	$8,550,954	$9,406,049	$10,302,354
Net profit (loss)		**($6,728,373)**	**($5,942,664)**	**($5,156,955)**	**($4,371,246)**	**($3,585,536)**	**($2,799,827)**	**($2,014,118)**	**($1,228,409)**	**($442,700)**	**$343,010**	**$1,128,719**	**$1,914,428**	**$2,738,003**

SCORECARD
FINANCE & CUSTOMER

Financial Metrics				
Financial Objective Type	**Measures**	**Targets**	**Supporting Initiatives**	**Annual**
Revenue growth and mix	Productivity growth - encounters	5% increase for FY06 to 93240 annual enc - 4440 enc (370/mo) (14.8 enc/fte/mo)	Additional Chiropractor. Pending: 2 PA's and a Physiatrist	5%
Revenue growth and mix	Productivity growth - RVU	13% increase weighted average of RVU/enc from 1.36 to 1.50/enc. Combined with FY06 5% increase from FY05 AnnEnc we project an RVU increase from 120000 to 139860 and a gross revenue increase from $8.9M to $10.3M	OrthoEMR and Six Sigma Coding Initiative.	13%
Innovation	% of revenue from new services	5% of revenues will come from new products.	RTW Program & Ortho Shockwave Therapy	5%
Cost reduction/productivity	Revenue per FTE/mo	Increase revenue per outpatient FTE/month by 36% from $25Kfte/mo to $35K FTE/mo	Template & Deferral Management & OrthoEMR processing	$35K
Cost Containment	Ortho cost center balances	Maintain clinic and MOR budgets within FY06 quarterly appropriations	DMLSS, Receipt monitoring, and DME	$7.2M
Customer Metrics				
Customer Objective Type	**Measures**	**Targets**	**Supporting Initiatives**	**Annual**
Customer retention	Deferral Management	Retain 100% of all named accounts throughout the fiscal year.	Referral Management Process	100%
Customer satisfaction	Surgical Access to Care	Increase customer satisfaction (as measured by external survey) so that 75% of all customers are "somewhat" or "very" satisfied.	Reorg for Ortho centralized OR Scheduling & Fleet Liaison	75%